



## **MISSOURI DEVELOPMENT FINANCE BOARD**

**(A Component Unit of the State of Missouri)**

### ***Comprehensive Annual Financial Report***

**For the fiscal year ended June 30, 2006**

**MISSOURI DEVELOPMENT FINANCE BOARD**  
**A COMPONENT UNIT OF THE STATE OF MISSOURI**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2006**

**PREPARED BY:**  
**THE ACCOUNTING DEPARTMENT:**

- **PAMELA IVES HILL, CPA, EDFP**  
**ASSISTANT DIRECTOR & CONTROLLER**
- **KRYSTAL SABARTINELLI, CPA**  
**SENIOR ACCOUNTANT**

**MISSOURI DEVELOPMENT FINANCE BOARD**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2006**

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## INTRODUCTORY SECTION

## **MISSOURI DEVELOPMENT FINANCE BOARD**

### **Principal Officials**

### **BOARD MEMBERS**

The Honorable Peter Kinder, Lieutenant Governor, Chairman  
Mr. John D. Starr, Vice Chairman  
Mr. Larry D. Neff, Secretary  
Mr. Nelson C. Grumney, Jr., Treasurer  
Ms. Elizabeth T. Solberg  
Mr. Paul S. Lindsey  
Mr. Richard J. Wilson  
Mr. James D. Hill  
Mr. L. B. Eckelkamp, Jr.  
Mr. Gregory A. Steinhoff, Director,  
Department of Economic Development  
Mr. Fred Ferrell, Director, Department of Agriculture

### **STAFF**

Mr. Robert V. Miserez, Executive Director  
Ms. Pamela Ives Hill, CPA, EDFP, Assistant Director & Controller  
Ms. Krystal Sabartinelli, CPA, Senior Accountant  
Ms. Kathleen Barney, Senior Portfolio Manager  
Ms. Alice Bernard-Jones, International Business Manager  
Ms. Tonya Loucks, Finance Officer  
Ms. Valerie Haller, Executive Assistant

### **BOARD COUNSEL**

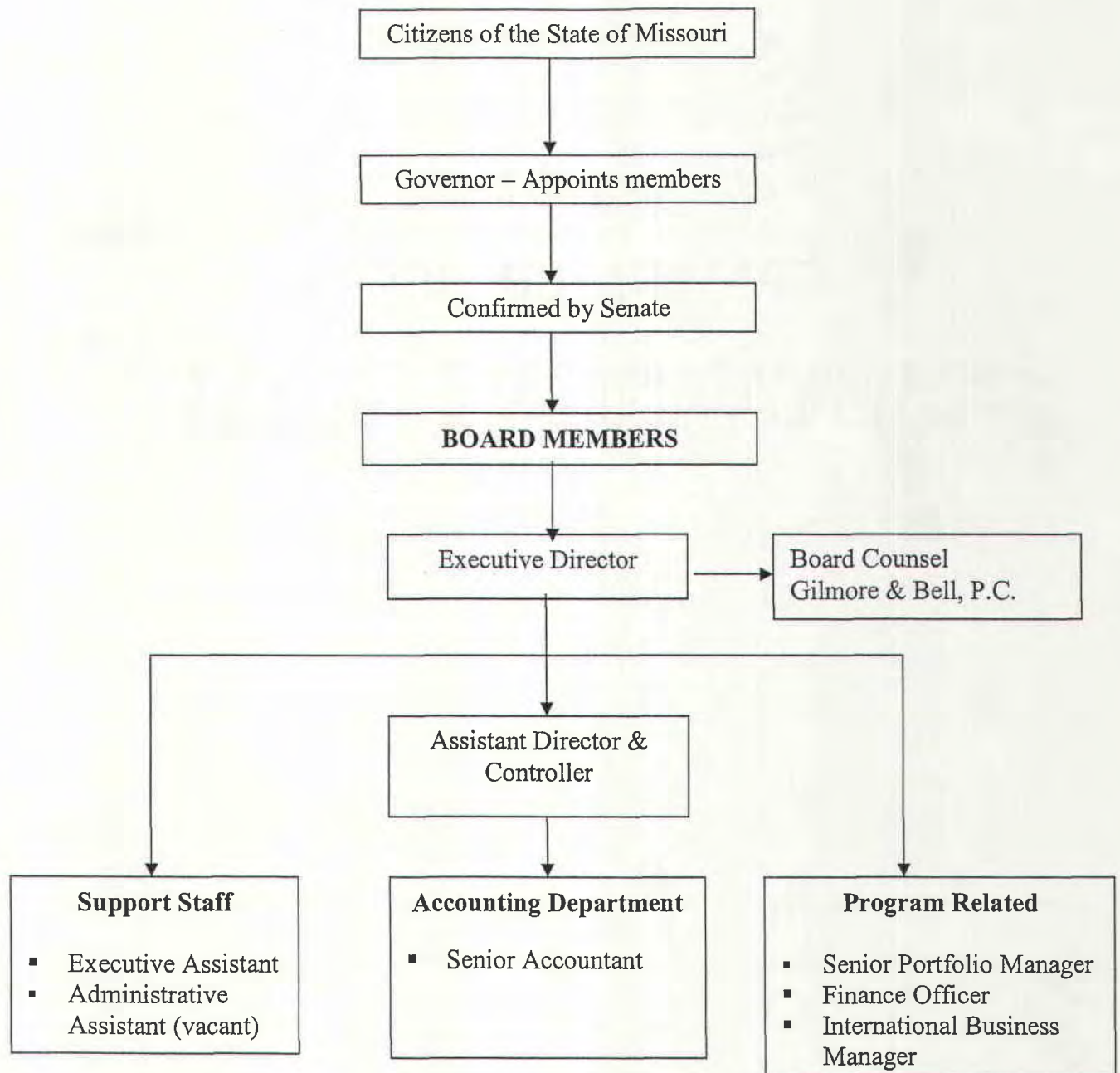
Mr. David Queen, Gilmore & Bell, P.C.

### **INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Williams Keepers LLC

# MISSOURI DEVELOPMENT FINANCE BOARD

## Organizational Chart



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**CHAIRMAN:**  
PETER D. KINDER  
LIEUTENANT GOVERNOR

**MEMBERS:**  
JOHN D. STARR  
LARRY NEFF  
NELSON C. GRUMNEY, JR.  
ELIZABETH T. SOLBERG  
PAUL S. LINDSEY  
RICHARD J. WILSON  
JAMES D. HILL  
L. B. ECKELKAMP, JR.



**EX-OFFICIO MEMBERS:**  
GREGORY A. STEINHOFF  
DIRECTOR,  
ECONOMIC DEVELOPMENT

FRED FERRELL  
DIRECTOR, AGRICULTURE

DOYLE CHILDERS  
DIRECTOR,  
NATURAL RESOURCES

**EXECUTIVE DIRECTOR:**  
ROBERT V. MISEREZ

## MISSOURI DEVELOPMENT FINANCE BOARD

August 11, 2006

Members of the Missouri Development Finance Board:

We are pleased to submit the comprehensive annual financial report of the Missouri Development Finance Board (the "Board") of the State of Missouri for the fiscal year ended June 30, 2006. The accounting department prepared this report, while responsibility for both the accuracy of the presented data and the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that was established for this purpose, rests with the Board. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Williams Keepers LLC, Certified Public Accountants, have issued an unqualified ("clean") opinion on the Missouri Development Finance Board's financial statements for the year ended June 30, 2006. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (the "MD&A") immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement MD&A and should be read with it, as well.

### PROFILE OF THE GOVERNMENT

The Missouri Development Finance Board is a "body corporate and politic" created by the State of Missouri. Its statutory citation is the Revised Statutes of Missouri (RSMo) 100.250 to 100.297. The Board's primary function is to structure and participate in the financing of Missouri business and public infrastructure. The Board is classified as a proprietary fund and is a discretely presented component unit within the State of Missouri's Comprehensive Annual Financial Report.

The original development board was created by Missouri statute in 1982 as the Missouri Industrial Development Board. The current legislative authorization dates to 1993 and was the fourth major statutory change since 1982. Each of these changes resulted in increased authority and responsibility for the Board in economic development and infrastructure financing.

The Board provides a diverse array of financing programs to carry out its mission of facilitating economic and infrastructure development projects. The Board administers eleven different programs that correspond to its mission to benefit the citizens of the State of Missouri. The Board's programs include:

1. Single issue industrial revenue bond projects - Private purpose projects.

Pursuant to RSMo 100.270, the Board is authorized to issue industrial revenue bonds. Interest on these bonds can be taxable or tax exempt. The bonds can be issued for the acquisition or renovation of fixed assets owned by businesses involved in the manufacturing or production of tangible products.



2. Single issue infrastructure bond projects. - Public purpose projects.  
Missouri Statute 100.263 authorized the public purpose infrastructure bond program in 1989. These bonds finance essential infrastructure improvements and related work for local governments, state agencies, and qualified public/private partnerships.
3. Missouri Tax Credit for Contributions.  
Missouri Statute 100.286.6 authorized the Missouri Tax Credit for Contributions program. Through this program, the Board is authorized to grant tax credits equal to fifty percent of contributions. Contributions are used to pay the costs of projects for Missouri governmental, quasi-governmental and nonprofit entities which have been approved by the Board. Per statute, the Board is authorized to use a maximum of \$10 million in tax credits during any *calendar year*. The statutory limitation can be exceeded with the consent of the Directors of the Department of Economic Development and Revenue and the Commissioner of Administration.
4. Tax Credit Bond Enhancement Program.  
The Tax Credit Bond Enhancement Program provides a tax credit enhancement on behalf of public entities for certain bonds. This program uses the Board's bond tax credits as collateral.
5. Direct Loan Program.  
The Direct Loan Program provides direct loans at reasonable interest rates.
6. BUILD Missouri (Business Use Incentives for Large-Scale Development) Program.  
The BUILD Missouri Program is an incentive tool that allows the Department of Economic Development and the Board to finance a portion of the costs of qualifying capital investments for eligible businesses that seek to locate or expand in Missouri. The incentives offered by BUILD are designed to offset infrastructure and other capital costs of certain large projects by making the cost of investing in Missouri more competitive.
7. Quick Loan Program.  
The Quick Loan Program is to provide Missouri governmental and quasi-governmental entities quick access to short-term loans at tax-exempt rates. Loans should be for a minimum of \$250,000 with a maximum maturity of seven years. Loans need not be secured by any property and may be subject to annual appropriation. Borrowers must have a demonstrated history of repayment ability.
8. Missouri Infrastructure Development Loan Program ("MIDOC").  
The MIDOC Program offers long-term, low-interest loans to local political subdivisions, including public water and sewer districts, to fund infrastructure improvements. Water and sewer projects addressing public health and safety receive priority. The Program is structured as a revolving loan program with repayment proceeds used to provide additional loans for eligible infrastructure projects. Interest rates are three percent with a maximum loan amount of \$100,000; however, if there is a critical need and with Board approval this maximum loan amount may be exceeded.
9. Loan Guarantees.  
The Board is empowered under RSMo sections 100.250 to 100.297, as amended, to guarantee loans to credit-worthy businesses which cannot otherwise obtain credit at reasonable rates and terms in order to create or retain full-time employment.

10. City/State Partners Program.

The City/State Partners Program is a joint effort between the Ex-Im Bank and state and local entities around the country to bring Ex-Im Bank's financing services to small and medium-sized U.S. companies that are ready to export. The Board markets programs offered by the Ex-Im Bank and packages applications for these programs. The Board's relationship with the Ex-Im Bank provides Missouri companies a direct line to export financing. In addition, the Board's relationship with the U.S. Small Business Administration (SBA) and the State Treasurer's Office provides loan programs to support the production of goods and services for export.

11. Missouri Downtown Economic Stimulus Act (MODESA)

The MODESA Program is an incentive tool that allows the Department of Economic Development and the Board to facilitate the redevelopment of downtown areas and the creation of jobs by providing essential public infrastructure. A portion of the new state and local taxes created by a project can be diverted to fund eligible public infrastructure and related costs for a period of up to 25 years. The local match must be, at a minimum, 50% of the amount of the new local sales tax (and earnings tax in St. Louis and Kansas City) and 100% of the amount of the new real property tax created by the project each year; or a comparable amount of local funds from the city/county or a non-profit organization

The Board completed fiscal year 2006 in excellent financial condition. The change in net assets in fiscal year ended June 30, 2006 was \$1,862,062 versus \$12,062,000 in fiscal year 2005. The Board's activities not only provided funding for the Board's operations but also helped maintain the Board's balance sheet. Assets were \$135,318,644 and \$137,652,531 at June 30, 2006 and June 30, 2005, respectively. The Board's involvement in very large projects has grown and, correspondingly, the Board's on-going responsibility to monitor those projects and their funds has significantly increased.

## **LOCAL ECONOMY**

As a major manufacturing, financial, and agricultural state, Missouri's diverse economic health is closely tied to that of the nation. The economic outlook follows the national trends during fiscal year 2006. At the end of June 2006, the state unemployment rate was 4.7 % compared to 5.3% at the end of June 2005. The national rate was 4.6 and 5.0% at June 30, 2006 and 2005, respectively.

## **MAJOR INITIATIVES**

During fiscal year ended June 30, 2006, the Board has assisted 17 projects resulting in total Board related financing of almost \$249.6 million. The Board has authorized an additional nine projects that are in various stages of development that should result in over \$169.9 million in financing once complete. During fiscal years ended June 30, 2005 and 2004, the Board assisted 20 and 13 projects, respectively.

### Jackson County Sports Authority Project

On June 29, 2006, a Tax Credit for Contribution Application for \$50 million in tax credits was approved for the Jackson County Sports Authority to renovate the Harry S. Truman Sports Complex in Kansas City, Missouri. The Truman Sports Complex consists of Arrowhead Stadium, occupied by the Kansas City Chiefs Football Club, Inc., and Kauffman Stadium, occupied by the Kansas City Royals Baseball Corporation. The total cost of the project is budgeted at \$575 million — \$250 million for Kauffman Stadium and \$325 million for Arrowhead Stadium.



## BUILD Missouri

RSMo Section 100.700 approved the Business Use Incentives for Large-Scale Development Act that created the BUILD Missouri program. During fiscal year 2006, four bond issues were approved and five issues were closed, and during 2005, five issues were approved while four issues were closed. During fiscal year 2004, five issues were approved while one issue was closed.

Since the program's inception, the Board has approved 34 BUILD bond projects for various locations throughout the State. The total jobs created—once all currently approved BUILD bonds are issued—will be over 11,710 jobs, issuing \$71.1 million in bonds and will include over \$2.262 billion in new private investment within Missouri.

## Smaller Communities

The Board continues to work toward its goal to actively seek out-state projects (outside the metropolitan areas of Kansas City and St. Louis). These efforts can be demonstrated by the initiation of the Downtown Revitalization Tax Credit for Contribution Program that focuses on smaller, out-state communities. In January 2001, the Board approved the restructuring of the Downtown Revitalization Tax Credit Program and allocated \$500,000 in tax credits annually to help maximize the program's impact on smaller communities.

The Board has given formal approval to the revitalization plans of the Cities of Lexington, Sweet Springs, Versailles, Charleston, Monett, Warsaw, Warrensburg, Cabool, Jefferson City and Neosho. In fiscal year 2006, the Board approved \$400,000 of the Tax Credit for Contribution program for Youth Excited About Sports in Warrensburg and \$626,000 for the Missouri Farm Bureau Museum in Jefferson City. Also, during fiscal year 2005, the Board approved \$325,000 of the Tax Credit for Contribution program for the City of Kearney's amphitheater project.

During fiscal years 2006 and 2005, the Board approved three and two, respectively, new Infrastructure Development Fund (MIDOC) loans to improve the water and wastewater system needs of smaller communities. During its history, the MIDOC program has issued 72 out-state loans with over \$4.31 million in loaned principal.

During fiscal year 2006 the Board assisted 19 communities through the issuance of \$50 million of the Missouri Association of Municipal Utilities Tax-Exempt Commercial Paper, Series 2005 for the Missouri Association of Municipal Utilities Municipal Finance Program. The Missouri Association of Municipal Utilities is a non-profit corporation trade organization for Missouri municipalities owning and operating an electric, water, natural gas or waste water utility that offers the Municipal Finance Program to assist communities in financing utility improvements.

## Future Projects

The Board has many significant projects in progress that will impact both the metropolitan and rural areas of the State. The OPO project in St. Louis is substantially complete with the final completion date of December 2006 and the Ninth Street Parking Garage project ("NSG project") that supports the U. S. Custom House and Old Post Office project ("OPO project") is scheduled to be complete in early 2007. The Board is continuing work with the City of Kansas City on projects with the Kansas City Performing Arts Center and KC Live. Also, the Jackson County Sports Authority project will be on-going for the next several years.

The Board is one of the three development agencies involved in a new initiative; the Downtown Revitalization Economic Assistance for Missouri ("DREAM"). DREAM Initiative is a comprehensive, streamlined approach to downtown revitalization that provides a one-stop shop of technical and financial

assistance for select communities to more efficiently and effectively engage in the downtown revitalization process.

In addition, the Board has two BUILD bonds in process, but not yet issued.

## **RELEVANT FINANCIAL POLICIES**

### Internal Controls

In fulfilling its responsibilities for reliable financial statements, management depends on the Board's system of internal control. This system is designed to provide reasonable assurance that assets are effectively safeguarded and transactions are executed in accordance with management's authorization and properly classified. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

The members of the Board review and approve financial information on a monthly basis for appropriateness, reliability, clarity, and timeliness.

### Budgetary Controls

The Board is not legally required to adopt a fiscal budget; however, in mid-fiscal year 2006, the Board has adopted an operational budget for internal use only. Hence, no budget-to-actual schedules are included within the financial statements.

### Primary Functions

The Board's mission is to assist infrastructure and economic development projects in Missouri that have a high probability of success, but are not feasible without the Board's assistance.

The Board's primary function is to structure and participate in the financing of Missouri business and public infrastructure. As mentioned before, the Board administers eleven different programs that correspond to its mission to benefit the citizens of the State of Missouri.

### Proprietary Operations

The Board's funds are all Proprietary – Enterprise funds and are maintained on the accrual basis of accounting. Thus, revenues are recognized when earned and expenses are recorded when the liability is incurred.

### Debt Administration

One of the Board's primary functions is as a conduit issuer of bonds for public and private entities. With the exception of the NSG project entered into during fiscal year 2005 and the St. Louis Conference Center Hotel and Garage project entered into during fiscal year 2001, the Board has no liability for repayment of revenue bonds and funding notes aside from any required reserve fund deposits and, accordingly, these conduit bonds and notes have not been recorded in the accompanying financial statements. Security for the bondholders consists of insurance, letters of credit, annual appropriation pledges, and certain funds held through trustees under the various indentures.

For additional information regarding the Board's debt, refer to Note 7 of the notes to the financial statements and the debt-related tables presented in the Statistical Section of this Report.



### Cash Management

The accounting department strives to keep abreast of current trends and procedures for cash management and forecasting to insure the efficient and profitable use of the Board's cash resources. Interest bearing accounts are used for all cash operations, with excess funds invested primarily in short-term U.S. Government Agency securities. All funds in bank accounts are 100% collateralized.

### Risk Management

Fiduciary bonding and workers compensation insurance are maintained through various commercial insurance companies. The Board carries commercial property, comprehensive liability, and business interruption insurance policies on the St. Louis Conference Center Hotel parking garage and the Kansas City Library parking garage. The Board is self-insured for all other risks of loss.

The Board maintains employee health insurance through Anthem Blue Cross and Blue Shield Health Insurance. The Board pays for employee and family coverage.

The Board provides life insurance for its employees at two times their annual salary and long-term disability insurance through American General and Northwest Mutual Insurance Company, respectively.

## **AWARDS AND ACKNOWLEDGEMENTS**

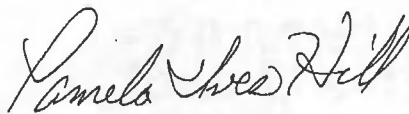
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Missouri Development Finance Board for its Comprehensive Annual Financial Reports for the fiscal year ended June 30, 2005. This is the sixth consecutive year the Board has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

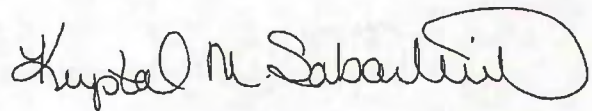
## **ACKNOWLEDGEMENTS**

The preparation of the comprehensive annual financial report could not have been accomplished without the dedicated services of all Board staff. We would also like to thank the firm of Williams-Keepers LLC and their staff for their assistance in the preparation of this report.

Respectfully submitted,



Pamela Ives Hill, CPA, EDFP  
Assistant Director & Controller



Krystal Sabartinelli, CPA  
Senior Accountant

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Missouri  
Development Finance Board

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

A Certificate of Achievement for Excellence in Financial  
Reporting is presented by the Government Finance Officers  
Association of the United States and Canada to  
government units and public employee retirement  
systems whose comprehensive annual financial  
reports (CAFRs) achieve the highest  
standards in government accounting  
and financial reporting.



President

Executive Director

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

Members of the Missouri  
Development Finance Board:

We have audited the accompanying financial statements of the Industrial Development and Reserve Fund, Parking Garage Fund, Infrastructure Development Fund, and the business-type activities of the Missouri Development Finance Board (the Board), a component unit of the State of Missouri, as of and for the years ended June 30, 2006 and 2005, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Industrial Development and Reserve Fund, Parking Garage Fund, Infrastructure Development Fund and the business-type activities of the Missouri Development Finance Board as of June 30, 2006 and 2005, and the respective changes in its financial position and cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we express no opinion on them.

*Williams Keepers LLC*

August 11, 2006

**MISSOURI DEVELOPMENT FINANCE BOARD**  
(A Component Unit of the State of Missouri)

**Management's Discussion and Analysis**

As management of the Missouri Development Finance Board (the "Board"), we offer readers of the Board's financial statements this narrative overview and analysis of the financial activities of our organization for the fiscal year ended June 30, 2006.

**Financial Highlights**

- The assets of the Board exceeded its liabilities at the close of the 2006 fiscal year by \$71,350,062 (*Net Assets*). Of this amount, \$32,654,645 (*Unrestricted Net Assets*) may be used to meet the Board's ongoing obligations to citizens and creditors.
- The Board's total net assets increased by \$1,862,062 during fiscal year 2006. Most of the increase is attributable to contributed revenue for the tax credit for contribution program that will be used to build a parking garage the Board will own and operate in St. Louis' downtown urban core to facilitate economic development.
- At the end of the 2006 fiscal year, the unrestricted fund balance for the Industrial Development and Reserve Fund was \$28,521,968, or approximately 6.4 times the Industrial Development and Reserve Fund's 2006 operating and non-operating expenditures of \$4,457,445.
- The Board's total debt decreased by \$2,750,000 (7.9%) during the 2006 fiscal year and the key factor in this decrease was the redemption of \$1,290,000 St. Louis Conference Center Hotel Garage Series 2000B, taxable infrastructure facilities revenue bonds and \$1,460,000 St. Louis Conference Center Hotel Garage Series 2000C, tax exempt infrastructure facilities revenue bonds.
- In addition, the Board received \$2,600,000 and \$4,714,144 tax credit contributions in fiscal years 2006 and 2005, respectively, for the construction of the NSG and renovation of the OPO Projects. The garage operations will be a new source of revenue and expense for the Board, as well as an increase in capital assets. Please see notes 7, 8, and 9 to the financial statements for further details.

**Overview of the Basic Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Board's basic financial statements. Typically, government financial statements would be presented as three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

However, because the Board uses only Proprietary funds which present financial statement information in the same manner as government-wide financial statements only with more detail, we present two components. The Board's basic financial statements comprise: 1) fund financial statements and 2) notes to the financial statements.



**MISSOURI DEVELOPMENT FINANCE BOARD**  
(A Component Unit of the State of Missouri)

**Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board, like other discretely presented component units of the State of Missouri (as defined by GASB Statement No. 14), uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. There are three categories available for governmental accounting: governmental funds, proprietary funds and fiduciary funds. The Board's funds are considered proprietary funds.

*Proprietary funds.* Of the two types of proprietary funds, the Board maintains one type: Enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities. Specifically, Enterprise funds account for operations that provide a service to citizens that are financed primarily by a user charge for the provision of that service. Enterprise funds also account for activities where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Industrial Development and Reserve Fund, the Parking Garage Fund, and the Infrastructure Development Fund (MIDOC). The Industrial Development and Reserve Fund and the Parking Garage Fund are considered to be major funds of the Board.

*Notes to the financial statements.* The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Board, assets exceeded liabilities by \$71,350,062 at the close of fiscal year 2006, by \$69,488,000 at the close of fiscal year 2005, and by \$57,426,000 at the close of fiscal year 2004.

The following summarizes the composition of the Board's net assets as of June 30:

	2006		2005		2004	
	\$	%	\$	%	\$	%
Investment in capital assets, net of related debt	\$ 19,317,590	27.07%	\$ 9,493,788	13.66%	\$ 20,034,676	34.89%
Restricted	19,377,826	27.16%	34,903,578	51.50%	6,909,733	12.03%
Unrestricted	32,654,645	45.77%	25,090,634	34.84%	30,481,591	53.08%
	<u>\$ 71,350,062</u>	<u>100.00%</u>	<u>\$ 69,488,000</u>	<u>100.00%</u>	<u>\$ 57,426,000</u>	<u>100.00%</u>

Unrestricted net assets are funds which may be used to meet the Board's ongoing obligations to citizens and creditors. Restricted net assets are restricted to specific purposes and may not be used for anything else. Capital assets are used to provide services to the citizens of Missouri. The increase in investment in capital assets, net of related debt is due to the construction activity on the NSG project for the parking garage in St. Louis and the redemption of \$2.75 million in bond debt on the SLCCHG project. The decrease in investment in capital assets, net of related debt, for fiscal year 2005 is primarily due to the issuance of \$16,500,000 in

**MISSOURI DEVELOPMENT FINANCE BOARD**  
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bond debt for the NSG project for the construction of the parking garage in St. Louis. Due to the significance of operations, this activity is reflected in the Parking Garage Fund. In addition, construction in progress of \$1,588,445 at June 30, 2005, related to the OPO project was reclassified to a note receivable due to the terms of the project closing in October, 2004. This was recorded in the Industrial Development and Reserve Fund.

The decrease in restricted assets for the current fiscal year is due to \$11,077,167 in project funds used in the construction of the NSG project, \$3,940,583 in project funds used on the renovation of the OPO project and the return of \$508,000 in restricted debt service reserve funds.

The increase in net assets for the current fiscal year is due to contributed revenue of \$2,600,000 for the NSG and OPO project offset by a \$737,939 decrease in income before contributed revenue. The increase in net assets for fiscal year 2005 is due to the change in net assets from contributed revenue of \$20,514,144 for the construction of the NSG and the renovation of the OPO projects offset by an \$8,452,142 decrease in income before contributed revenue primarily due to bad debt expense of \$9,448,681.

The following summarizes the changes in net assets for the years ended June 30:

	2006		2005		2004	
	\$	%	\$	%	\$	%
Operating income (loss)	\$ (2,133,284)	-114.57%	\$ (9,142,828)	-75.80%	\$ 1,334,391	18.34%
Non-operating revenue	1,395,346	74.94%	690,686	5.73%	116,788	1.61%
Contributed revenue	2,600,000	139.63%	20,514,142	170.07%	5,799,361	79.72%
Gain on sale of asset	-	0.00%	-	0.00%	24,500	0.34%
Change in net assets	\$ 1,862,062	100.00%	\$ 12,062,000	100.00%	\$ 7,275,040	100.00%

The decrease in operating loss from 2006 to 2005 by \$7,009,544 is primarily related to increased parking garage revenues of \$444,205, increased interest income on loans and notes receivable of \$92,487 and decreased operating expenses of \$6,424,439.

The decrease in operating income from 2004 to 2005 by \$10,477,219 is primarily related to decreased participation fees of \$275,306 due to normal fluctuations in projects; increased operating costs due to office relocation, leasing and office expenses of \$96,565; additional professional fees of \$441,903 that includes \$389,591 for professional studies requested by the Department of Economic Development; increased depreciation expense of \$138,309 due to the Kansas City Library Garage and increased bad debt expense of \$9,448,681. Other considerations for the decrease in operating income are an increase in personnel service costs of \$68,518 and an increase in miscellaneous expenses of \$114,387. Interest income on loans and notes receivable were \$232,851 and \$223,954 for fiscal year 2005 and 2004, respectively. The increase in non-operating revenue is due to a \$664,947 increase in interest income from cash and investments.

Restricted net assets decreased \$15,525,752 (45%) from 2006 to 2005 primarily due to the use of restricted funds for the renovation of the OPO project and the construction activities on the NSG project. Restricted net assets increased \$27,993,845 (405%) from 2005 to 2004 primarily due to the increase in the OPO project loan for disbursements on this renovation project and the issuance of \$16,500,000 in industrial revenue bonds on the NSG project.

Further detailed information related to the Board's net assets and changes in net assets are included on the following pages.



**MISSOURI DEVELOPMENT FINANCE BOARD**  
(A Component Unit of the State of Missouri)

**Missouri Development Finance Board's Net Assets**

Business-Type Activities															
	Industrial Development & Reserve Fund	Parking Garage Funds	Infrastructure Development Fund	Eliminations or Transfers	Industrial Development & Reserve Fund	Parking Garage Funds	Infrastructure Development Fund	Eliminations or Transfers	Industrial Development & Reserve Fund	Parking Garage Funds	Infrastructure Development Fund	Eliminations or Transfers	Totals	Totals	Totals
	2006	2006	2006	2006	2005	2005	2005	2005	2004	2004	2004	2004	2006	2005	2004
Current & Other assets	28,655,723	1,788,839	2,462,871	-	24,728,736	399,714	2,379,218	(1,172,992)	27,489,101	12,349,477	2,411,190	(12,127)	32,907,433	26,334,676	42,237,641
Restricted Assets	35,398,942	15,844,678			40,302,221	26,921,846			32,331,836	11,931,694			51,243,620	67,224,067	44,263,530
Capital assets	1,482,004	49,685,586			1,563,286	42,530,502			3,101,420	35,033,256			51,167,590	44,093,788	38,134,676
Total assets	65,536,669	67,319,104	2,462,871	-	66,594,243	69,852,062	2,379,218	(1,172,992)	62,922,357	59,314,427	2,411,190	(12,127)	135,318,644	137,652,531	124,635,847
Current liabilities	133,755	118,286	747	-	312,418	2,985,432	750	(1,172,992)	200,742	474,400		(12,127)	252,788	2,125,608	663,015
Long-term liabilities outstanding	31,865,794	31,850,000			31,438,923	34,600,000			30,792,138	23,823,000			63,715,794	66,038,923	54,615,138
Total liabilities	31,999,549	31,968,286	747	-	31,751,341	37,585,432	750	(1,172,992)	30,992,880	24,297,400		(12,127)	63,968,582	68,164,531	55,278,153
Net Assets:													-	-	-
Invested in capital assets, net of related debt	1,482,004	17,835,586			1,563,286	7,930,502			3,101,420	16,933,256			19,317,590	9,493,788	20,034,676
Restricted	3,533,148	15,844,678			7,981,732	26,921,846			701,039	6,208,694			19,377,826	34,903,578	6,909,733
Unrestricted	28,521,968	1,670,553	2,462,124		25,297,884	(2,585,718)	2,378,468		28,127,018	(56,617)	2,411,190		32,654,645	25,090,634	30,481,591
Total net assets	33,537,120	35,350,818	2,462,124		34,842,902	32,266,630	2,378,468		31,929,477	23,085,333	2,411,190		71,350,062	69,488,000	57,426,000

**MISSOURI DEVELOPMENT FINANCE BOARD**  
(A Component Unit of the State of Missouri)

**Missouri Development Finance Board Change in Net Assets**

Business-Type Activities												
	Industrial Development & Reserve Fund	Parking Garage Fund	Infrastructure Development Fund	Industrial Development & Reserve Fund	Parking Garage Fund	Infrastructure Development Fund	Industrial Development & Reserve Fund	Parking Garage Fund	Infrastructure Development Fund	Totals	Totals	Totals
	2006	2006	2006	2005	2005	2005	2004	2004	2004	2006	2005	2004
<b>Revenues:</b>												
Participation fees	1,080,859			1,098,353			1,373,659			1,080,859	1,098,353	1,373,659
Interest on loans & notes receivables	266,911		58,427	180,044		52,807	158,237		65,717	325,338	232,851	223,954
Rental income	25,008			25,057			25,008			25,008	25,057	25,008
Contractual income	61,342			60,648			56,934			61,342	60,648	56,934
Parking garage income		2,259,686			1,815,481			1,573,553		2,259,686	1,815,481	1,573,553
Other income	119,272			54,010			14,552			119,272	54,010	14,552
Capital grants & contributions	100,000	2,500,000		10,491,144	10,022,998			5,799,361		2,600,000	20,514,142	5,799,361
<b>Non-operating revenues:</b>												
Interest on cash & investments	1,498,271	605,669	25,229	758,870	476,432	6,330	477,873	98,039	773	2,129,169	1,241,632	576,685
Total revenues	3,151,663	5,365,355	83,656	12,668,126	12,314,911	59,137	2,106,263	7,470,952	66,489	8,600,674	25,042,174	9,643,704
<b>Expenses:</b>												
Personnel	623,541			603,068			534,550			623,541	603,068	534,550
Professional fees	54,954	1,800		542,008	2,581		94,260	8,426		56,754	544,589	102,686
Depreciation & amortization	84,294	659,078		75,899	607,117		70,603	474,104		743,372	683,016	544,707
Parking garage operating expenses		883,789			813,265			568,394		883,789	813,265	568,394
Other expenses	3,694,656	2,677	-	9,666,956	26,475	91,859	171,930	11,002		3,697,333	9,785,290	182,932
<b>Non-operating expenses:</b>												
Bond interest expense		733,823			550,946			459,897		733,823	550,946	459,897
Total Expenses	4,457,445	2,281,167	-	10,887,931	2,000,384	91,859	871,343	1,521,823		6,738,612	12,980,174	2,393,166
Increase in net assets	(1,305,782)	3,084,188	83,656	1,780,195	10,314,527	(32,722)	1,234,920	5,949,129	66,489	1,862,062	12,062,000	7,250,538
Net assets, beginning of year	34,842,902	32,266,630	2,378,468	34,842,902	23,085,333	2,411,190	32,320,057	15,486,204	2,344,701	69,488,000	57,426,000	50,150,962
Interfund transfers	-	-		1,133,230	(1,133,230)		(1,650,000)	1,650,000		-	-	-
Gain on sale of asset							24,500			-	-	24,500
Net assets, end of year	33,537,120	35,350,818	2,462,124	34,842,902	32,266,630	2,378,468	31,929,477	23,085,333	2,411,190	71,350,062	69,488,000	57,426,000



**MISSOURI DEVELOPMENT FINANCE BOARD**  
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- Participation fees declined by \$17,494 (-1.6%) in the current fiscal year. The 1.6% decline is due to decreased fee income for the tax credit for contribution program. Participation fees declined by \$275,306 (20%) during fiscal year 2005. The 20% decline is due to decreased fee income for the tax credit for contribution program. Participation fees after eliminations during the fiscal year 2004 increased \$599,350 (77%). The 77% increase in participation fees in fiscal year 2004 is from increased fee income from the tax credit for contributions program.
- Interest on loans and notes receivable increased by \$92,487 (40%) in the current fiscal year, increased by \$8,897 (3.97%) in the prior fiscal year, and declined by \$603,002 (-73%) during fiscal year 2004. The 42.5% increase in the current fiscal year is primarily due to interest earned on the OPO loan. The small increase in the prior fiscal year is primarily due to the City of Liberty direct loan and a decline in the Infrastructure Development Fund loan portfolio. The decline in the prior fiscal years is the product of the St. Louis Conference Center Hotel bridge loan pay off early in 2003.
- Parking garage operating income increased \$444,205 (24.5%) in the current fiscal year due to improved parking attendance. Parking garage operating income increased \$241,928 (15.37%) in the 2005 fiscal year. This is due to having both the Kansas City Library parking garage and the St. Louis Conference Center Hotel parking garage operational for the entire fiscal year. Parking garage operating income increased \$843,456 (116%) for the 2004 fiscal year as the Kansas City Library parking garage started operation in April 2004 and the St. Louis Conference Center Hotel parking garage operated for a full year.
- Contributed revenue for the current fiscal year declined \$17,914,144 (-87.3%), and for the prior fiscal year increased \$14,714,783 (254%). For the 2004 fiscal year, there was a net decline of \$4,201,278 in contribution revenue. The current fiscal year's decline is attributed to less contribution revenue on the Old Post Office and the 9th Street Garage projects. The 2005 fiscal year's increase is attributed to the recognition of \$20,514,144 in deferred revenue as contributed revenue for the OPO and the NSG projects that closed in October 2004. The 2004 fiscal year's income consisted of the receipt of \$5,799,361 in contributed revenue for the Kansas City Library parking garage with no receipts recognized as revenue for the 9th Street Garage or the Old Post Office project. See Note 9 to the financial statements for further details.
- Interest income on cash and investments increased \$887,537 (71.5%) for the current fiscal year and increased \$664,951 (115%) for the 2005 fiscal year due to the interest earned on the additional contributed revenue, invested bond proceeds and the increasing interest rate environment we are experiencing. Income on cash and investments was down \$21,660 (-4%) for the 2004 fiscal year due to the continued lower interest rate environment. However, in the last quarter of FY2004 interest rates began to rise. For fiscal years 2006, 2005, and, 2004 the Board's average interest rate on cash and investments was approximately 4.33%, 1.66% and 1.20%, respectively.
- The Parking Garage Fund was established in 2003 by the Board to account for the construction and ongoing operations of three parking garages. The three garages are as follows: St. Louis Conference Center Hotel Garage (SLCCHG), Ninth Street Garage (NSG) supporting the OPO redevelopment in St. Louis, and the Kansas City Public Library Garage (KCLG). The Board is the sole owner of these garages. SLCCHG was placed in service during FY2003; the KCLG was placed in service in FY2004 and the NSG is in the construction stage. The NSG is due to be complete in early 2007.
- For the 2005 fiscal year, the eliminations/transfers are for funds that are allocated to the OPO Project upon closing on the project in October 2004 instead of the NSG Project. For the 2004 fiscal year, the

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eliminations/transfers are for funds the Board provided the Parking Garage Fund to assist in redeeming \$3,000,000 in SLCCH Series 2000B and 2000C bonds. See note 11 to the financial statements for further details.

In the current fiscal year, expenses decreased \$6,241,562 (-48%) due primarily to decreased bad debt expense of \$5,950,607 (-63%), decreased professional fees of \$487,835 (-89.6%) and increased bond interest expense \$200,880 (57%) offset by other slightly decreased expenses. In the 2005 fiscal year, expenses increased by \$10,587,008 (442%) due to an increase in personnel service expense of \$68,518 (13%); increased professional fees of \$441,903, which includes \$389,591 (379%) for professional studies requested by the Department of Economic Development and \$52,312 (51%) in additional professional fees for Board activities; increased depreciation expense of \$138,309 (25%) due to the KCLG and increased parking garage operating costs of \$244,871 (43%). In addition, other increases include increased other expense of \$9,602,358 (5249%), which includes increased bad debt expense \$9,448,681 (100%) due to changes in bad debt estimates, and increased bond interest expense of \$99,661 (22%) due to rising rate environment and additional bond debt for the NSG Project.

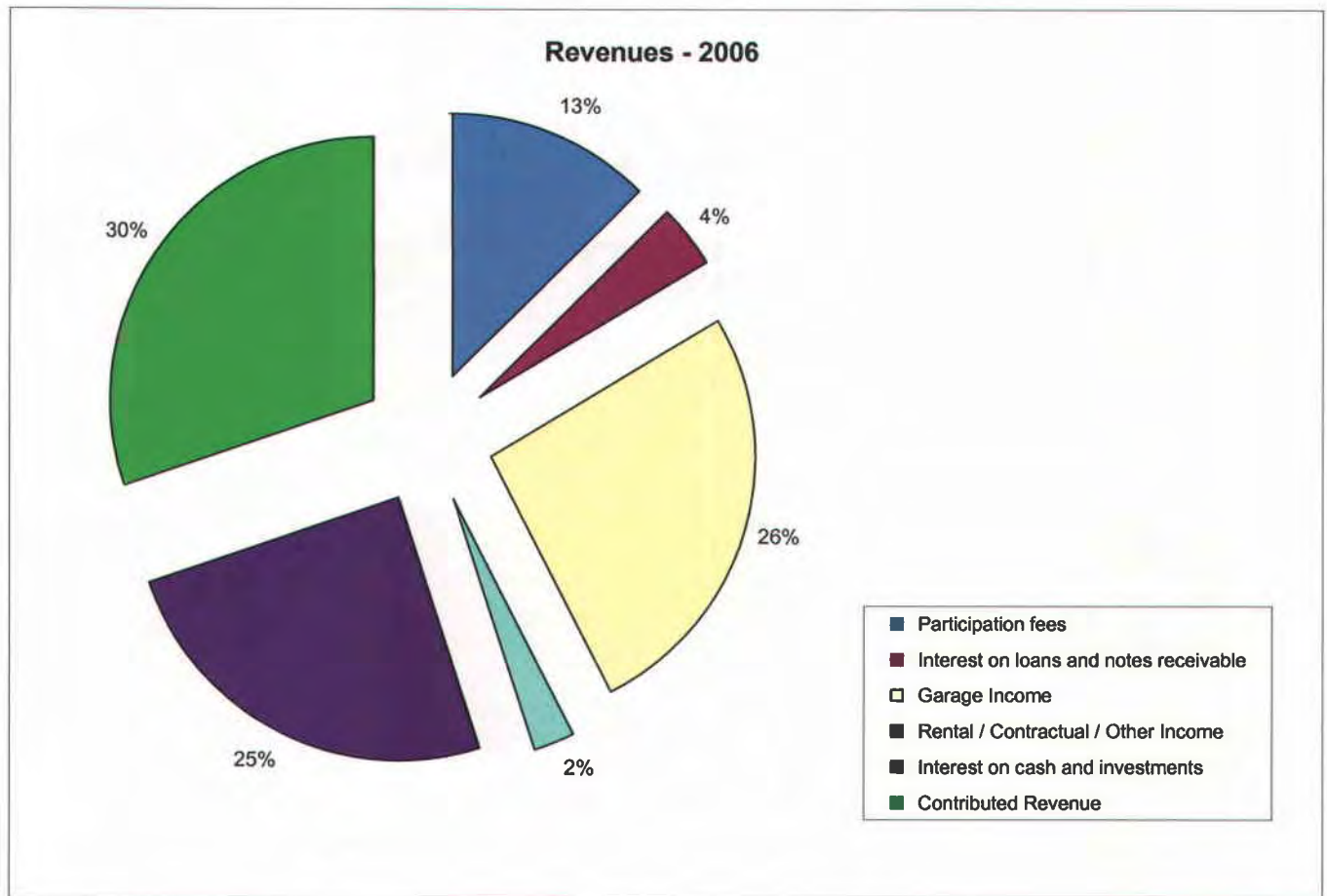
In the 2004 fiscal year expenses increased by \$341,275 (17%) and this is due to increased personnel expense of \$36,849 (7%); decreased professional fees of \$114,470 (-53%); increased depreciation and amortization expense of \$50,110 (10%); increased parking garage operating expenses of \$233,569 (70%); increased travel, supplies, and miscellaneous expenses of \$17,551 (11%); and increased bond interest expense of \$117,666 (34%). The most significant changes for the Parking Garage Fund were a full year of activity for the SLCCHG and a partial year of activity for the KCLG along with increased depreciation expense and increased bond interest expense due to a rising interest rate environment.



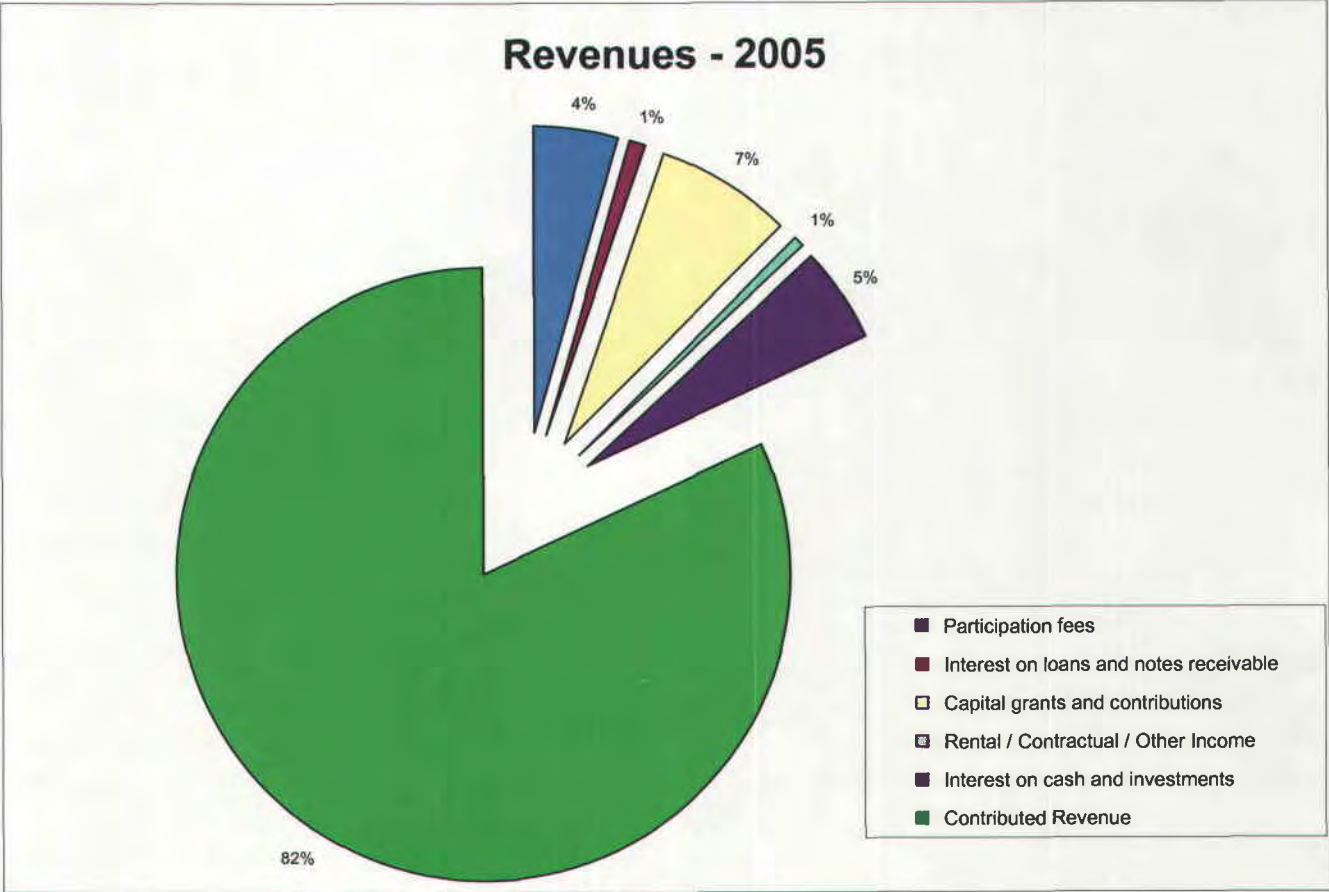
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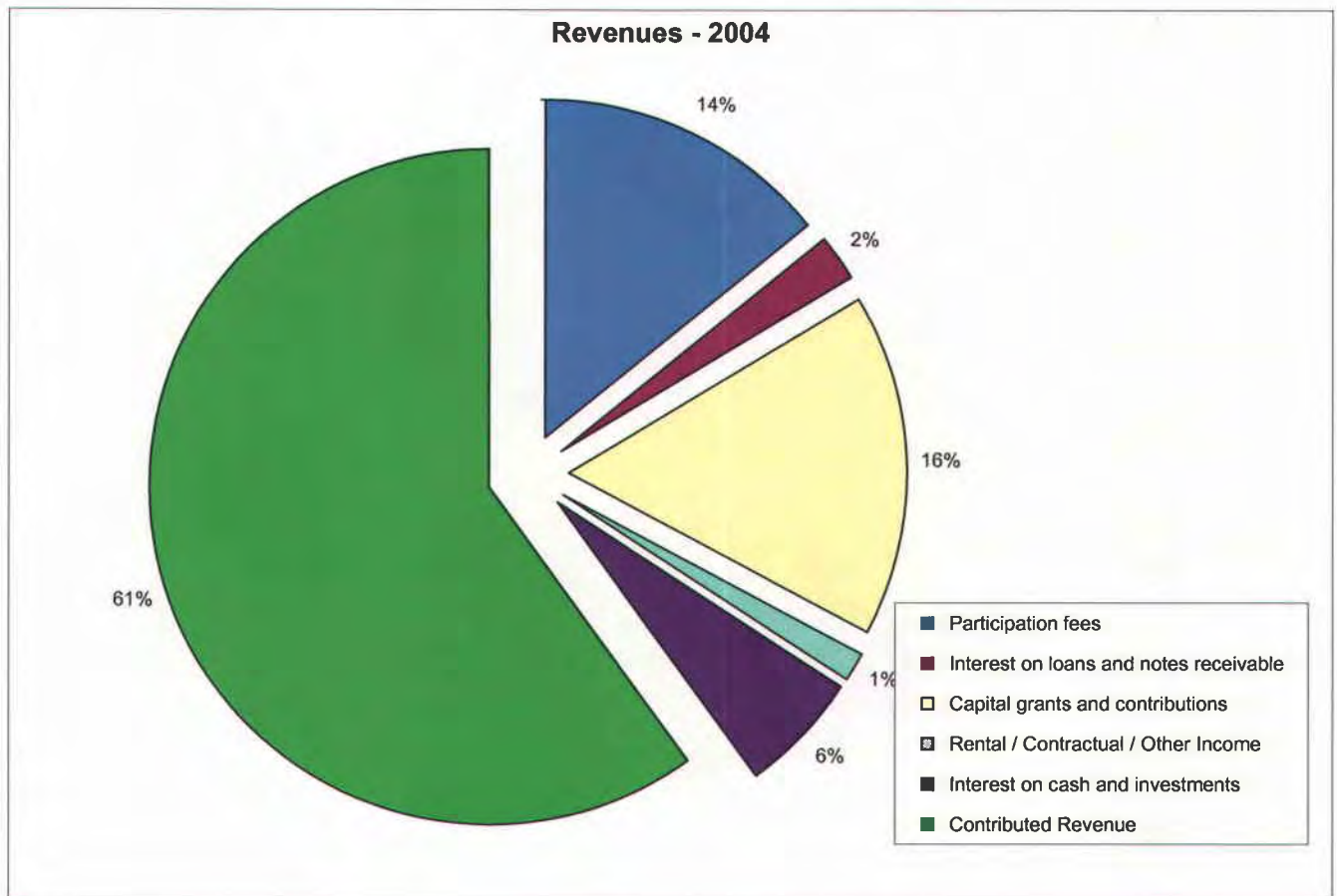
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### Capital Assets and Debt Administration

The Board's investment in capital assets for its business type activities as of June 30, 2006 amounts to \$51,167,590, net of depreciation, an increase of \$7,073,803 from June 30, 2005. The 2005 year's investment in capital assets amounts to \$44,093,787, net of depreciation, an increase of \$5,959,111 from June 30, 2004. The 2004 year's investment in capital assets amounts to \$38,134,676, net of depreciation, an increase of \$10,016,666 from June 30, 2003. This investment in capital assets includes land, buildings, and equipment. The total increase in the Board's investment in capital assets for fiscal years' 2006, 2005 and 2004 was 16%, 16%, and 37%, respectively.

The major capital asset events in the 2006 fiscal year are the renovation of the OPO project and continued construction of the NSG project in St. Louis. In the 2005 fiscal year major capital asset events are the completion of the façade on the KCLG, the demolition of the Century Building and the start of construction on the NSG project (a component of the OPO project), and tenant improvements in our new office suite. The major capital asset event in the 2004 fiscal year was completing the construction of the KCLG in Kansas City.

Missouri Development Finance Board's Capital Assets (net of depreciation)			
	2006	2005	2004
Land	\$ 9,271,177	\$ 9,271,177	\$ 8,066,980
Construction in process	16,347,967	10,420,745	5,181,045
Buildings and façade	25,435,728	24,288,579	24,883,676
Equipment	65,885	60,943	2,975
Leasehold improvements	46,833	52,344	-
Total	<u>\$ 51,167,590</u>	<u>\$ 44,093,788</u>	<u>\$ 38,134,676</u>

Additional information on the Board's capital assets can be found in note 5 to the financial statements.

### Long-term Debt

At the end of the current fiscal year, the Board had total bond debt outstanding of \$31,850,000. The decrease in bond debt outstanding is due to the redemption of \$1,290,000 St. Louis Conference Center Hotel Garage Series 2000B, taxable infrastructure facilities revenue bonds and \$1,460,000 St. Louis Conference Center Hotel Garage Series 2000C, tax exempt infrastructure facilities revenue bonds. At the end of fiscal years 2005 and 2004, the Board had total bonded debt outstanding of \$34,600,000 and \$18,100,100, respectively.

The Board's debt for the 2005 fiscal year represents \$9,500,000 in Ninth Street Garage Series 2004A taxable infrastructure facilities revenue bonds; \$7,000,000 in Ninth Street Garage Series 2004B tax-exempt infrastructure facilities revenue bonds; \$5,200,000 in St. Louis Conference Center Hotel Series 2000B taxable infrastructure facilities revenue bonds; and \$12,900,000 St. Louis Conference Center Hotel Series 2000C tax-exempt infrastructure facilities revenue bonds.

The Board's debt for the 2004 fiscal year represents \$5,200,000 in St. Louis Conference Center Hotel Series 2000B taxable infrastructure facilities revenue bonds and \$12,900,000 St. Louis Conference Center Hotel Series 2000C tax-exempt infrastructure facilities revenue bonds.

**MISSOURI DEVELOPMENT FINANCE BOARD**

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**None of this amount comprises debt backed by the full faith and credit of the state of Missouri.**

Missouri Development Finance Board's Outstanding Debt			
	2006	2005	2004
Long-term debt	\$ 31,850,000	\$ 34,600,000	\$ 18,100,000

Additional information on the Board's long-term debt can be found in note 7 to the financial statements.

**Items of Significance for the Current Year**

In the current year, the following items of interest occurred:

On June 29, 2006, a Tax Credit for Contribution Application for \$50 million in tax credits was approved for the Jackson County Sports Authority to renovate the Harry S. Truman Sports Complex in Kansas City, Missouri. The Truman Sports Complex consists of Arrowhead Stadium, occupied by the Kansas City Chiefs Football Club, Inc., and Kauffman Stadium, occupied by the Kansas City Royals Baseball Corporation. The total cost of the project is budgeted at \$575 million — \$250 million for Kauffman Stadium and \$325 million for Arrowhead Stadium.

In November 2005 and May 2006, the Board issued Series 2005 and 2006 Leasehold Revenue Bonds for the benefit of the State of Missouri Office Buildings Project. The purpose of providing funds was to pay bond issuance costs and costs of acquisition of four office buildings: one in Florissant, one in Jennings, and two in St. Louis. See note 10.

The renovation of the OPO Project in St. Louis is now complete. The OPO will serve as the centerpiece for the rehabilitation of vacant and underutilized historic buildings near the OPO as well as the NSG that is being built on the site of the Century Building. Currently, the OPO is fully leased. The Board's ownership of the OPO has no value assigned and reflected in the financial statements.

The NSG project is a 1,050 space multi-level parking garage located to the west of the OPO project. The Board has entered into long-term leases with tenants of the OPO project and with surrounding businesses and building owners.

**Significant Events for Next Year**

In the coming fiscal year, we anticipate the following significant events:

We anticipate continuing to assist St. Louis and Kansas City in their continued economic development revitalization of their communities through finalizing the BUILD projects that were authorized in FY2006. We will be finalizing the tax credit agreement with the Jackson County Sports Authority and provide aid in the financing on this project.

We will be assisting out-state Missouri in revitalizing their downtowns as we continue our working relationship with the Department of Economic Development in marketing our Downtown Revitalization Tax Credit program, our MIDOC loan program and the DREAM Initiative.



## **MISSOURI DEVELOPMENT FINANCE BOARD**

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June 20, 2006 and 2005

### **Requests for Information**

This financial report is designed to provide a general overview of the Missouri Development Finance Board's finances for all those with an interest in the Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Missouri Development Finance Board, Assistant Director and Controller, P. O. Box 567, 200 Madison, Suite 1000, Jefferson City, Missouri 65102.



**MISSOURI DEVELOPMENT FINANCE BOARD**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**

	Industrial Development and Reserve Fund	Parking Garage Fund	Infrastructure Development (MIDOC Loan) Fund	Eliminations	Total Business-Type Activities
<b>ASSETS</b>					
Current assets:					
Cash	\$ 1,455,699	\$ 106,317	\$ 842,439	\$ -	\$ 2,404,455
Investments	20,736,492	1,546,000	-	-	22,282,492
Current portion of loans and notes receivable	399,000	-	205,191	-	604,191
Accrued interest on investments	252,830	30,917	-	-	283,747
Accrued interest on loans and notes receivable	89,407	-	31,471	-	120,878
Prepaid expense and other assets	18,565	105,605	-	-	124,170
Total current assets	22,951,993	1,788,839	1,079,101	-	25,819,933
Noncurrent assets:					
Board designated investment	935,588	-	-	-	935,588
Restricted assets	35,398,942	15,844,678	-	-	51,243,620
Long-term portion of loans and notes receivable	4,763,098	-	1,383,770	-	6,146,868
Bond issuance costs, less accumulated amortization of \$61,061	5,044	-	-	-	5,044
Capital assets:					
Assets not being depreciated	-	25,619,144	-	-	25,619,144
Assets being depreciated, net	1,482,004	24,066,442	-	-	25,548,446
Total noncurrent assets	42,584,676	65,530,264	1,383,770	-	109,498,710
Total assets	\$ 65,536,669	\$ 67,319,104	\$ 2,462,871	\$ -	\$ 135,318,644
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and other accrued liabilities	\$ 133,755	\$ -	\$ 747	\$ -	\$ 134,502
Accrued bond interest payable	-	118,286	-	-	118,286
Total current liabilities	133,755	118,286	747	-	252,788
Noncurrent liabilities:					
Long-term debt	-	31,850,000	-	-	31,850,000
Payable from restricted assets:					
Tax credit for contribution and other deposits	31,865,794	-	-	-	31,865,794
Total noncurrent liabilities	31,865,794	31,850,000	-	-	63,715,794
Total liabilities	31,999,549	31,968,286	747	-	63,968,582
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	1,482,004	17,835,586	-	-	19,317,590
Restricted:					
Tax credit and second loss reserves	2,025,001	-	-	-	2,025,001
Project accounts	1,508,147	15,844,678	-	-	17,352,825
Unrestricted	28,521,968	1,670,553	2,462,124	-	32,654,645
Total net assets	33,537,120	35,350,818	2,462,124	-	71,350,062
Total liabilities and net assets	\$ 65,536,669	\$ 67,319,104	\$ 2,462,871	\$ -	\$ 135,318,644

The notes to the financial statements are an integral part of this statement.

**MISSOURI DEVELOPMENT FINANCE BOARD**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

	Industrial Development and Reserve Fund	Parking Garage Fund	Infrastructure Development (MIDOC Loan) Fund	Eliminations	Total Business-Type Activities
<b>ASSETS</b>					
Current assets:					
Cash	\$ 1,562,414	\$ 343,402	\$ 612,976	\$ -	\$ 2,518,792
Investments	16,121,353	-	-	-	16,121,353
Current portion of loans and notes receivable	2,173,000	-	192,559	-	2,365,559
Accrued interest on investments	141,635	-	-	-	141,635
Accrued interest on loans and notes receivable	97,899	-	25,901	-	123,800
Prepaid expense and other assets	1,184,237	56,312	-	(1,172,992)	67,557
Total current assets	21,280,538	399,714	831,436	(1,172,992)	21,338,696
Noncurrent assets:					
Board designated investment	881,566	-	-	-	881,566
Restricted assets	39,420,655	26,921,846	-	-	66,342,501
Long-term portion of loans and notes receivable	3,439,166	-	1,547,782	-	4,986,948
Bond issuance costs, less accumulated amortization of \$58,050	9,032	-	-	-	9,032
Capital assets:					
Assets not being depreciated	-	19,691,922	-	-	19,691,922
Assets being depreciated, net	1,563,286	22,838,580	-	-	24,401,866
Total noncurrent assets	45,313,705	69,452,348	1,547,782	-	116,313,835
Total assets	<u>\$ 66,594,243</u>	<u>\$ 69,852,062</u>	<u>\$ 2,379,218</u>	<u>\$ (1,172,992)</u>	<u>\$ 137,652,531</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and other accrued liabilities	\$ 312,418	\$ 2,914,232	\$ 750	\$ (1,172,992)	\$ 2,054,408
Accrued bond interest payable	-	71,200	-	-	71,200
Total current liabilities	312,418	2,985,432	750	(1,172,992)	2,125,608
Noncurrent liabilities:					
Long-term debt	-	34,600,000	-	-	34,600,000
Payable from restricted assets:					
Tax credit for contribution and other deposits	31,438,923	-	-	-	31,438,923
Total noncurrent liabilities	31,438,923	34,600,000	-	-	66,038,923
Total liabilities	31,751,341	37,585,432	750	-	68,164,531
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	1,563,286	7,930,502	-	-	9,493,788
Restricted:					
Tax credit and second loss reserves	2,533,002	-	-	-	2,533,002
Project accounts	5,448,730	26,921,846	-	-	32,370,576
Unrestricted	25,297,884	(2,585,718)	2,378,468	-	25,090,634
Total net assets	34,842,902	32,266,630	2,378,468	-	69,488,000
Total liabilities and net assets	<u>\$ 66,594,243</u>	<u>\$ 69,852,062</u>	<u>\$ 2,379,218</u>	<u>\$ (1,172,992)</u>	<u>\$ 137,652,531</u>

**MISSOURI DEVELOPMENT FINANCE BOARD**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	Industrial Development and Reserve Fund	Parking Garage Fund	Infrastructure Development (MIDOC Loan) Fund	Eliminations	Total Business-Type Activities
<b>OPERATING REVENUES:</b>					
Participation fees	\$ 1,080,859	\$ -	\$ -	\$ -	\$ 1,080,859
Interest income on loans and notes receivable	266,911	-	58,427	-	325,338
Rental income	25,008	-	-	-	25,008
Contractual income	61,342	-	-	-	61,342
Other income	119,272	-	-	-	119,272
Parking garage revenues	-	2,259,686	-	-	2,259,686
Total operating revenues	1,553,392	2,259,686	58,427	-	3,871,505
<b>OPERATING EXPENSES:</b>					
Personnel services	623,541	-	-	-	623,541
Professional fees	54,954	1,800	-	-	56,754
Travel	59,265	-	-	-	59,265
Supplies and other	110,242	-	-	-	110,242
Depreciation and amortization	84,294	659,078	-	-	743,372
Parking garage operating expenses	-	883,789	-	-	883,789
Bad debt expense	3,498,074	-	-	-	3,498,074
Miscellaneous	27,075	2,677	-	-	29,752
Total operating expenses	4,457,445	1,547,344	-	-	6,004,789
Operating income (loss)	(2,904,053)	712,342	58,427	-	(2,133,284)
<b>NON-OPERATING REVENUE (EXPENSE):</b>					
Interest on cash and investments	1,498,271	605,669	25,229	-	2,129,169
Bond interest expense	-	(551,858)	-	-	(551,858)
Bond expense	-	(181,965)	-	-	(181,965)
Total non-operating revenue (expense)	1,498,271	(128,155)	25,229	-	1,395,346
Income (loss) before contributed revenue and interfund transfers	(1,405,782)	584,188	83,656	-	(737,939)
CONTRIBUTED REVENUE	100,000	2,500,000	-	-	2,600,000
Change in net assets	(1,305,782)	3,084,188	83,656	-	1,862,062
Total net assets - beginning	34,842,902	32,266,630	2,378,468	-	69,488,000
Total net assets - ending	\$ 33,537,120	\$ 35,350,818	\$ 2,462,124	\$ -	\$ 71,350,062

The notes to the financial statements are an integral part of this statement.



**MISSOURI DEVELOPMENT FINANCE BOARD**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	Industrial Development and Reserve Fund	Parking Garage Fund	Infrastructure Development (MIDOC Loan) Fund	Eliminations	Total Business-Type Activities
<b>OPERATING REVENUES:</b>					
Participation fees	\$ 1,098,353	\$ -	\$ -	\$ -	\$ 1,098,353
Interest income on loans and notes receivable	180,044	-	52,807	-	232,851
Rental income	25,057	-	-	-	25,057
Contractual income	60,648	-	-	-	60,648
Other income	54,010	-	-	-	54,010
Parking garage revenues	-	1,815,481	-	-	1,815,481
Total operating revenues	1,418,112	1,815,481	52,807	-	3,286,400
<b>OPERATING EXPENSES:</b>					
Personnel services	603,068	-	-	-	603,068
Professional fees	542,008	2,581	-	-	544,589
Travel	70,375	-	-	-	70,375
Supplies and other	222,613	-	-	-	222,613
Depreciation and amortization	75,899	607,117	-	-	683,016
Parking garage operating expenses	-	813,265	-	-	813,265
Bad debt expense	9,356,822	-	91,859	-	9,448,681
Miscellaneous	17,146	26,475	-	-	43,621
Total operating expenses	10,887,931	1,449,438	91,859	-	12,429,228
Operating income (loss)	(9,469,819)	366,043	(39,052)	-	(9,142,828)
<b>NON-OPERATING REVENUE (EXPENSE):</b>					
Interest on cash and investments	758,870	476,432	6,330	-	1,241,632
Bond interest expense	-	(350,978)	-	-	(350,978)
Bond expense	-	(199,968)	-	-	(199,968)
Total non-operating revenue (expense)	758,870	(74,514)	6,330	-	690,686
Income (loss) before contributed revenue and interfund transfers	(8,710,949)	291,529	(32,722)	-	(8,452,142)
CONTRIBUTED REVENUE	10,491,144	10,022,998	-	-	20,514,142
INTERFUND TRANSFERS	1,133,230	(1,133,230)	-	-	-
Change in net assets	2,913,425	9,181,297	(32,722)	-	12,062,000
Total net assets - beginning	31,929,477	23,085,333	2,411,190	-	57,426,000
Total net assets - ending	\$ 34,842,902	\$ 32,266,630	\$ 2,378,468	\$ -	\$ 69,488,000

The notes to the financial statements are an integral part of this statement.

**MISSOURI DEVELOPMENT FINANCE BOARD**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	Industrial Development and Reserve Fund	Parking Garage Fund	Infrastructure Development Fund	Total Business-Type Activities
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 1,747,897	\$ 2,259,686	\$ 52,854	\$ 4,060,437
Receipts for tax credit projects	17,668,860	-	-	17,668,860
Payments to suppliers	(433,531)	(2,709,717)	-	(3,143,248)
Payments to tax credit projects	(16,913,477)	-	-	(16,913,477)
Payments to employees	(623,541)	-	-	(623,541)
Net cash provided (used) by operating activities	1,446,208	(450,031)	52,854	1,049,031
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Loans and notes receivable principal payments	2,173,000	-	251,380	2,424,380
Loans and notes receivable issued	(5,221,006)	-	(100,000)	(5,321,006)
Interfund transfers	1,172,992	(1,172,992)	-	-
Net cash provided (used) by noncapital financing activities	(1,875,014)	(1,172,992)	151,380	(2,896,626)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Bond principal received	-	-	-	-
Bond principal paid	-	(2,750,000)	-	(2,750,000)
Bond interest paid	-	(682,146)	-	(682,146)
Acquisition of land	-	(2,827)	-	(2,827)
Acquisition of buildings and equipment	(3,012)	(7,742,784)	-	(7,745,796)
Contributed revenue	100,000	2,500,000	-	2,600,000
Net cash provided (used) by capital and related financing activities	96,988	(8,677,757)	-	(8,580,769)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of investments	(47,991,680)	(24,582,555)	(593,691)	(73,167,926)
Maturities of investments	85,577,532	31,453,921	593,691	117,625,144
Interest on cash and investments	1,396,682	605,670	25,229	2,027,581
Net cash provided (used) by investing activities	38,982,534	7,477,036	25,229	46,484,799
Net increase in cash and cash equivalents	38,650,716	(2,823,744)	229,463	36,056,435
Cash and cash equivalents - July 1	8,614,683	18,624,179	612,976	27,851,838
Cash and cash equivalents - June 30	\$ 47,265,399	\$ 15,800,435	\$ 842,439	\$ 63,908,273
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (2,904,053)	\$ 712,342	\$ 58,427	\$ (2,133,284)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization expenses	84,294	659,078	-	743,372
Increase (decrease) in allowance for bad debt	3,498,074	-	-	3,498,074
(Increase) decrease in accrued interest on loans and notes receivable	8,492	-	(5,573)	2,919
(Increase) decrease in prepaid expenses and other assets	(7,320)	(80,210)	-	(87,530)
Increase (decrease) in accounts payable and accrued liabilities	(178,663)	(1,741,241)	-	(1,919,904)
Increase (decrease) in tax credit for contribution deposits	433,396	-	-	433,396
Increase (decrease) in debt service reserve	508,000	-	-	508,000
Increase (decrease) in deferred charges	3,988	-	-	3,988
Total adjustments	4,350,261	(1,162,373)	(5,573)	3,182,315
Net cash provided (used) by operating activities	\$ 1,446,208	\$ (450,031)	\$ 52,854	\$ 1,049,031
<b>Reconciliation of cash and cash equivalents to the statement of net assets</b>				
Cash	\$ 1,455,699	\$ 106,317	\$ 842,439	\$ 2,404,455
Investments	20,736,492	-	-	20,736,492
Less: Portion maturing in 90 days or more	(4,736,738)	-	-	(4,736,738)
Less: Portion attributable to accrued interest	(14,671)	-	-	(14,671)
Board designated investment	935,588	15,844,678	-	16,780,266
Restricted assets	35,398,942	-	-	35,398,942
Less: Portion maturing in 90 days or more	(6,392,694)	-	-	(6,392,694)
Less: Portion attributable to accrued interest	(117,220)	(150,560)	-	(267,780)
Total cash and cash equivalents	\$ 47,265,399	\$ 15,800,435	\$ 842,439	\$ 63,908,273

The notes to the financial statements are an integral part of this statement.



**MISSOURI DEVELOPMENT FINANCE BOARD**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	Industrial Development and Reserve Fund	Parking Garage Fund	Infrastructure Development Fund	Total Business-Type Activities
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 1,317,208	\$ 1,813,031	\$ 55,269	\$ 3,185,508
Receipts for tax credit projects	24,802,597	-	-	24,802,597
Payments to suppliers	(712,850)	(1,275,448)	-	(1,988,298)
Payments to tax credit projects	(14,060,852)	-	-	(14,060,852)
Payments to employees	(542,420)	-	-	(542,420)
Net cash provided (used) by operating activities	10,803,683	537,583	55,269	11,396,535
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Loans and notes receivable principal payments	645,000	-	252,357	897,357
Loans and notes receivable issued	(5,676,043)	-	(40,000)	(5,716,043)
Interfund transfers	(39,762)	39,012	750	-
Net cash provided (used) by noncapital financing activities	(5,070,805)	39,012	213,107	(4,818,686)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Bond principal received	-	16,500,000	-	16,500,000
Bond principal paid	-	-	-	-
Bond interest paid	-	(496,048)	-	(496,048)
Acquisition of land	-	(1,204,197)	-	(1,204,197)
Acquisition of buildings and equipment	(122,040)	(5,158,177)	-	(5,280,217)
Contributed revenue	414,144	4,299,998	-	4,714,142
Net cash provided (used) by capital and related financing activities	292,104	13,941,576	-	14,233,680
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of investments	(145,945,847)	(59,969,006)	-	(205,914,853)
Maturities of investments	143,730,980	54,235,089	-	197,966,069
Interest on cash and investments	692,085	476,433	6,330	1,174,848
Net cash provided (used) by investing activities	(1,522,782)	(5,257,484)	6,330	(6,773,936)
Net increase in cash and cash equivalents	4,502,200	9,260,687	274,706	14,037,593
Cash and cash equivalents - July 1	4,112,483	9,363,492	338,270	13,814,245
Cash and cash equivalents - June 30	\$ 8,614,683	\$ 18,624,179	\$ 612,976	\$ 27,851,838
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (9,469,819)	\$ 366,043	\$ (39,052)	\$ (9,142,828)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization expenses	75,899	607,117	-	683,016
Increase (decrease) in allowance for bad debt	9,356,822	-	91,859	9,448,681
(Increase) decrease in accrued interest on loans and notes receivable	(22,296)	(2,450)	2,462	(22,284)
(Increase) decrease in prepaid expenses and other assets	27,616	24,973	-	52,589
Increase (decrease) in accounts payable and accrued liabilities	111,676	(458,100)	-	(346,424)
Increase (decrease) in tax credit for contribution deposits	10,741,745	-	-	10,741,745
Increase (decrease) in loan guarantee default reserve	(17,960)	-	-	(17,960)
Total adjustments	20,273,502	171,540	94,321	20,539,363
Net cash provided (used) by operating activities	\$ 10,803,683	\$ 537,583	\$ 55,269	\$ 11,396,535
<b>Reconciliation of cash and cash equivalents to the statement of net assets</b>				
Cash	\$ 1,562,414	\$ 343,402	\$ 612,976	\$ 2,518,792
Restricted assets	40,302,221	26,921,846	-	67,224,067
Less: Restricted investments	(33,249,952)	(8,641,069)	-	(41,891,021)
Total cash and cash equivalents	\$ 8,614,683	\$ 18,624,179	\$ 612,976	\$ 27,851,838

The notes to the financial statements are an integral part of this statement.

# MISSOURI DEVELOPMENT FINANCE BOARD

(A Component Unit of the State of Missouri)

## NOTES TO FINANCIAL STATEMENTS

June 30, 2006 and 2005

### 1. FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Financial Reporting Entity

The Missouri Development Finance Board (the Board), created by Sections 100.250 to 100.297 of the Revised Statutes of Missouri (RSMo), as a body corporate and politic of the State of Missouri created within the Department of Economic Development. The Board is governed by a twelve-member Board. The Governor of the State of Missouri (the State), with the advice and consent of the Senate, appoints nine of the Board members. The remaining three Board members are the Lieutenant Governor, Director of the Department of Economic Development, and Director of the Department of Agriculture.

The Board is a discretely presented component unit of the State of Missouri as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. Based on GASB 14, the accompanying combined financial statements include only those operations related to the Board and are not intended to present fairly the financial position and results of operations of the State.

The Board is empowered to issue bonds or notes; provide loans or loan guarantees; provide loans and grants to political subdivisions to fund public infrastructure improvements; and to issue Missouri tax credits for approved projects. The Board also has other authorized powers under state statute, including the ability to acquire, own, improve, and use real and personal property such as parking garages and buildings.

#### (b) Basis of Presentation

The accounts of the Board are organized on the basis of funds. The Board accounts for its activities in Enterprise Funds, a type of Proprietary Fund. Proprietary Funds are used to account for ongoing activities that are similar to activities found in the private sector. The measurement focus is upon determination of net income.

Specifically, Enterprise Funds account for operations that provide a service to citizens that are financed primarily by a user charge for the provision of that service. Enterprise Funds also account for activities where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Board has three active and three inactive Enterprise Funds.

Each fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. The Board's active funds are as follows:

- Industrial Development and Reserve Fund — The Industrial Development and Reserve Fund was established in 1982 by Section 100.260 RSMo (as amended). At inception, the Board was funded by appropriations from the State General Revenue Fund. However, currently the Board's primary source of funds is from other sources as specified by the RSMo. Funds may be used to make eligible direct loans or may be pledged as loan, note, or bond guarantees. RSMo (Sections 33.080 and 100.260) provide that if funds are appropriated by the general assembly for this fund they



# MISSOURI DEVELOPMENT FINANCE BOARD

(A Component Unit of the State of Missouri)

## NOTES TO FINANCIAL STATEMENTS

June 30, 2006 and 2005

shall not lapse and the balance shall not be transferred to the General Revenue Fund – State. This fund also includes activity related to the OPO project and building leasing operations.

- Parking Garage Fund — The Parking Garage Fund was established in 2003 by the Board to account for the construction and ongoing operations of three parking garages. The three garages are as follows: St. Louis Conference Center Hotel Garage (the “SLCCHG”), Ninth Street Garage (the “NSG”) supporting the Old Post Office redevelopment project in St. Louis, and the Kansas City Public Library Garage (the “KCLG”). The Board is the sole owner of these garages. SLCCHG was placed in service during 2003; the KCLG was placed in service during 2004, and the NSG is currently under construction.
- Infrastructure Development Fund — The Infrastructure Development Fund was established in 1988 by Section 100.263 RSMo, as amended, and is funded by appropriations from the State General Fund or from various other sources as specified by the RSMo. Funds may be used to make low-interest or interest-free loans, and loan guarantees to local political subdivisions and state agencies.

The inactive funds are the Industrial Development Guarantee Fund, Export Finance Fund, and the Jobs Now Fund.

### (c) Method of Accounting

The economic resource measurement focus and the accrual basis of accounting are utilized for all Board funds. Revenues are recognized when earned and expenses are recorded when incurred.

Application fees and issuance fees are recognized as participation fees on the Statement of Revenues, Expenses, and Changes in Fund Net Assets. The Board recognizes revenue on application fees when received since the fees are due upon application and are nonrefundable. The Board recognizes revenue on issuance fees at the time of the issuance of the related bonds since, until actual issuance, the amount or the certainty of receiving the issuance fee is not determinable. Expenses related to bond issuance are recognized when incurred, as there is no reasonable method of allocating the expenses to issuance revenues because of the above-mentioned uncertainties.

Contributions received for tax credits on behalf of other entities are treated as conduit transactions, with the amount of unspent contributions recorded as a liability. Contributions received for tax credits on behalf of the Board’s projects are recorded as revenue when all applicable eligibility requirements have been met, which is determined on a project-by-project basis.

The Board applies all Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, and all Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB), except for those that conflict with or contradict GASB pronouncements. FASB Statements and Interpretations issues subsequent to November 30, 1989, are not applied.



# MISSOURI DEVELOPMENT FINANCE BOARD

(A Component Unit of the State of Missouri)

## NOTES TO FINANCIAL STATEMENTS

June 30, 2006 and 2005

### (d) Investments

The Board has the power to invest in obligations of the United States or its agencies, insured or secured certificates of deposits, secured repurchase agreements, and state or political subdivisions obligations with the two highest credit rating categories. Investments with initial maturities of one year or less are stated at amortized cost. Investments with initial maturities of greater than one year are carried at fair value based on quoted market prices.

### (e) Loans and Allowance for Loan Loss

Loans are stated at the amount of unpaid principal, adjusted by an allowance for loan losses. The Board's loans are made to companies and political subdivisions. In many cases, the repayment terms and collateral, if any, are much less stringent than typical financial institution loans due to the nature of the Board's mission. The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for loan losses when management believes that the collectibility of the principal is unlikely.

The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluation of the collectibility of loans, prior loan loss experience or when the net present value of estimated future cash flows on the loan or fair value of collateral is less than the recorded value of the loan (computed on a loan by loan basis).

For the fiscal year ending June 30, 2006 and 2005, the allowance for loan losses was \$12,996,680 and \$9,479,954, respectively. As a result of increasing this allowance, bad debt expense was recognized for \$3,498,074 and \$9,448,681, respectively.

### (f) Capital Assets

Capital assets, which consist of land, building and equipment, are stated at cost. Contributions of capital assets are recorded at fair market value at the time received. Capital assets are defined by the Board as assets with an individual cost of more than \$500 and an estimated useful life in excess of one year. Depreciation has been provided over the estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Buildings	40 years
Equipment	3 – 5 years

Fully depreciated capital assets are included in capital asset accounts until their disposal.

It is the Board's policy to capitalize interest on debt incurred to finance the construction of capital assets, when material. For the years ended June 30, 2006 and 2005, the total amount of interest incurred was \$1,166,617 and \$633,174; interest capitalized was \$614,759 and \$282,196; and interest expensed was \$551,858 and \$350,978, respectively.

# MISSOURI DEVELOPMENT FINANCE BOARD

(A Component Unit of the State of Missouri)

## NOTES TO FINANCIAL STATEMENTS

June 30, 2006 and 2005

### **(g) Compensated Absences**

Under the terms of the Board's personnel policy, Board employees are granted vacation, personal days, sick, and compensatory leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation, personal days, and compensatory hours. Employees are not paid for accumulated sick leave upon termination. The amounts of accrued vacation, personal days, and compensatory hours are included as a current liability in the accompanying combined financial statements. The costs of sick leave are recorded when paid and are not accrued.

### **(h) Bond Issue Costs**

Bond issue costs represent costs related to the Series 1992-A Infrastructure Facilities Revenue Bond Program. These costs are being amortized over fifteen years as they are recovered through loan participation fees.

### **(i) Participation Fees**

The Board receives participation fees on certain direct loans, loan guarantees, bonds, and tax credit contributions. Direct infrastructure loans are made to local governmental entities for public infrastructure needs. A \$750 fee is assessed for the direct infrastructure loans to cover legal counsel costs.

Bond application fees are 0.1% of the amount of issuance limited to a minimum of \$500 and a maximum of \$2,500. Before April 2006, the issuance fee for private activity bonds was on a scale ranging from 0.375% to 0.125%, depending on the size of the issue. The issuance fee for public bonds was 0.5% of the issue.

However, after April 2006, the issuance fee for private activity bonds is on a scale ranging from .15% to .30%, not to exceed \$75,000 for a single issue or a multiple series under a single issue. Also, the issuance fee for public activity bonds is on a scale ranging from .10% to .25 %, not to exceed \$75,000 for a single issue or multiple series under a single issue. Finally, on State Agency bonds, the issuance fee is on a scale ranging from .10% to .20%, not to exceed \$75,000 for a single issue or multiple series under a single issue.

BUILD Missouri (Business Use Incentives for Large-Scale Development) application fees are \$1,000 and non-refundable. The issuance fee is assessed as 2.5% of the bond principal with an annual fee of 0.5% of the principle portion outstanding at each anniversary date. The fee to cover legal counsel costs is 0.6% of bond principal with a minimum of \$7,500, plus out of pocket expenses.

Before January 2006, the fees for each tax credit for contribution project were 2% of the first one million dollars in contributions and 1% of the contributions thereafter. However, after January 2006, participation fees are 4% of all contributions.

### **(j) Issuance of Conduit Bonds**

All of the bonds issued by the Board, with the exception of the long-term debt issued for the St. Louis Conference Center Hotel project and the NSG project (see Note 7), are conduit obligations. Conduit obligations are special, limited obligations of the Board and the assets of the Board are not pledged to



**MISSOURI DEVELOPMENT FINANCE BOARD**  
**(A Component Unit of the State of Missouri)**

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006 and 2005

secure such bonds. The borrower pays all debt service requirements. The bonds do not constitute an obligation of the Board or the State. See Note 12 to the financial statements for further information.

**(k) Cash and Cash Equivalents**

Cash and cash equivalents for the combined statements of cash flows include cash and short-term investments with original maturities of ninety days or less.

**(l) Net Assets**

Equity is categorized in the statement of net assets as invested in capital assets net of related debt, restricted, and unrestricted. Restricted net assets consist of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Board's policy to use restricted resources first, and then unrestricted net assets when they are needed. Unrestricted net assets consist of net assets not invested in capital assets that do not meet the definition of "restricted."

**(m) Classification of Operating, Nonoperating, and Contributed Revenue**

The Board has classified its revenues as operating, nonoperating, or contributed revenues according to the following criteria:

Operating revenues — Include revenue sources related to the basic purpose of the Board and include interest income on loans and fees and charges for services.

Nonoperating revenues — Include revenue sources unrelated to the basic purpose of the Board and include interest income on deposits and investments.

Contributed revenues — Include revenue related to the contributions for tax credit program authorized under state statute and received for Board-owned projects.

**(n) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Estimates are used for, but not limited to, provisions for doubtful accounts; asset impairment; depreciable lives of capital assets and fair value of financial instruments. The Board is subject to uncertainties such as the impact of future events, economic, environmental and political factors, and changes in the business climate; therefore, actual results may differ from those estimates.

Accordingly, the accounting estimates used in the preparation of the Board's financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the Board's operating environment changes. Changes in estimates are made when circumstances warrant. Such changes and refinements in estimation methodologies are reflected in reported results of operations; if material, the effects of changes in estimates are disclosed in the notes to the financial statements. Accordingly, actual results may differ from those estimates.



**MISSOURI DEVELOPMENT FINANCE BOARD**  
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**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006 and 2005

**(o) Reclassifications**

Certain items in the 2005 financial statements have been reclassified to conform with the current year presentation. For fiscal year 2005 and 2004, Restricted Asset – Board \$881,566 and \$856,619, respectively, has been reclassified to Unrestricted as this was not a restriction externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**2. DEPOSITS AND INVESTMENTS**

As of June 30, 2006 and 2005, the Board had the following investments:

	2006		2005	
	Fair Value	Weighted Average Maturity	Fair Value	Weighted Average Maturity
Investment type:				
U.S. Treasuries	\$16,515,011	0.2500	\$16,606,691	0.1375
U.S. Government Bonds	500,000	0.6167	2,533,000	0.3554
U.S. Government Agency Discount Notes	40,965,287	0.0662	52,395,173	0.1697
Guaranteed Investment Contract	-		2,752,000	0.4106
Repurchase Agreements	2,505,764	0.0028	6,715,418	0.0028
Total Fair Value	<u>\$60,486,062</u>		<u>\$81,002,282</u>	

Interest rate risk - In accordance with its investment policy, the Board manages its exposure to declines in fair values by only investing in obligations that return initial purchase prices and the earned interest. This practice eliminates exposure to declines in fair values.

Credit risk - The Board's policy is to only invest in obligations of the United States or its agencies, insured or secured certificates of deposits, secured repurchase agreements, and state or political subdivision obligations with the two highest credit ratings issued by nationally recognized statistical rating organizations (NRSROs). Policy prohibits the purchase of any investments that do not meet the above mentioned criteria. As of June 30, 2006 and 2005, all of the Board's investments were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The Board does not hold corporate bonds and does not participate in investment pools.

Concentration of credit risk – The Board's investment policy does not address concentration of credit risk.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the Board will not be able to recover the value of its investments. As of June 30, 2006 and 2005, there is no custodial credit risk for the Board's investments due to the Board's investment policy which prohibits obligations not fully secured.

**MISSOURI DEVELOPMENT FINANCE BOARD**  
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**NOTES TO FINANCIAL STATEMENTS**  
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Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Board's deposits may not be returned to it. As of June 30, 2006 and 2005 the Board's deposits were fully covered by FDIC insurance and government-backed securities.

As required by Missouri law, the depository banks pledge securities, in addition to the Federal Depository Insurance Corporation insurance, to equal or exceed the amount on deposit at all times. As of June 30, 2006, securities with a total fair value of \$21,141,166 are held in a joint custody account with the Federal Reserve Bank. As of June 30, 2005, securities with a total fair value of \$21,486,023 are held in a joint custody account with the Federal Reserve Bank.

As of June 30, 2006 and 2005, the Board's deposits were collateralized as follows:

	2006	2005
Insured by the FDIC	\$ 393,125	\$ 370,903
Collateralized with securities pledged by the financial institutions	15,808,664	4,290,136
Collateralized with letter of credit pledged by financial institutions	-	-
Amount not collateralized	-	-
Total deposits	<u>\$ 16,201,789</u>	<u>\$ 4,661,039</u>

The Board's total cash and investments as of June 30, 2006 and 2005 are as follows:

	2006	2005
U.S. government and agency securities from above	\$ 60,486,062	\$ 81,002,282
Cash deposits from above	16,201,789	4,661,039
Accrued interest not included above	462,051	342,526
Total cash and investments	<u>\$ 77,149,902</u>	<u>\$ 86,005,847</u>
As reflected on the statement of net assets:		
Cash	\$ 2,404,455	\$ 2,518,792
Investments	22,282,492	16,121,353
Accrued interest	283,747	141,635
Board designated investment	935,588	881,566
Restricted assets	51,243,620	66,342,501
Total cash and investments	<u>\$ 77,149,902</u>	<u>\$ 86,005,847</u>

### 3. LOANS, NOTES RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

Direct loans through the Industrial Development and Reserve Fund represent loans to individual companies and political subdivisions in Missouri. Direct loans through the Infrastructure Development Fund represents three percent loans made to local political subdivisions.



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Loans and notes receivable at June 30, 2006 and 2005, are as follows:

	2006		2005	
	Current	Long-term	Current	Long-term
Industrial Development and Reserve Fund	\$ 408,646	\$ 17,617,994	\$ 2,173,000	\$ 12,795,988
Infrastructure Development Fund	214,197	1,506,902	211,211	1,652,262
Total	622,843	19,124,896	2,384,211	14,448,250
Less: allowance for doubtful loans	18,652	12,978,028	18,652	9,461,302
Total loans and notes receivable, net	<u>\$ 604,191</u>	<u>\$ 6,146,868</u>	<u>\$ 2,365,559</u>	<u>\$ 4,986,948</u>

#### 4. RESTRICTED ASSETS

In September 1992, the Board issued \$15,000,000 of bonds for a Series 1992-A Infrastructure Facilities Revenue Bond Program. The Board was required to deposit, from existing funds, \$25,000 in a separate issuer account.

In November 1995, the Board issued \$8,800,000 of bonds for a Series 1995 Limited Obligation Leasehold Revenue Bond Program. The Board was required to deposit, from existing funds, an amount equal to 10% of the outstanding bond issuance in an escrow account. As of June 30, 2006 and 2005, the outstanding bond balance was \$0 and \$5,008,000, requiring an escrow balance of \$0 and \$508,000 respectively.

In June 1999, May 2000, December 2003, and April 2004, the Board placed unrestricted Board funds of \$500,000 into Second Loss Debt Service Reserve Funds for each of its four infrastructure bonds, for a total of \$2,000,000.

In December 2000, the Board issued \$39,555,000 of bonds to fund a loan for the St. Louis Conference Center Hotel and land and construction costs for the hotel's parking garage. The restricted assets held for this project as of June 30, 2006 and 2005, are reserved as a contingency for the garage portion of the project, for a total of \$935,588 and \$4,300,425, respectively.

In October 2004, the Board issued \$16,500,000 of bonds to fund the construction of the Ninth Street parking garage associated with the Old Post Office Building renovation. The Board was required to deposit \$1,501,000 in a cash collateral account for the OPO project. Any investment earnings on the balance outstanding are credited to the Industrial Development and Reserve Fund.



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Restricted assets consist of the following as of June 30, 2006 and 2005:

	2006	2005
Leasehold Revenue Bond Program	\$ -	\$ 508,000
Infrastructure Bond Debt Service Reserve Funds	2,025,000	2,025,000
Tax credit for contribution deposits (Note 6)	31,865,795	31,438,923
Old Post Office construction and reserve deposits (Note 10)	1,508,147	5,448,732
Total restricted assets – Industrial Development and Reserve Fund	<u>\$ 35,398,942</u>	<u>\$ 39,420,655</u>
	2006	2005
St. Louis Conference Center Hotel reserve deposits (Note 9)	\$ 911,948	\$ 4,300,425
Ninth Street Garage construction and reserve deposits (Note 10)	14,848,458	22,515,489
Kansas City Library Garage construction deposits (Note 10)	84,272	105,932
Total restricted assets – Parking Garage Fund	<u>\$ 15,844,678</u>	<u>\$ 26,921,846</u>

**5. CAPITAL ASSETS**

During August 1989, the Board received a \$2,400,000 contribution from a taxpayer to acquire and renovate a vacant, historic office building in downtown Kansas City, Missouri as part of a multi-block redevelopment effort. In conjunction with this purchase, the Board signed a twenty-year lease with the United Way of Kansas City (the "United Way") to rent the building upon completion of the renovation. The lease provides for monthly rental payments of \$2,084, with an option to purchase the building at the end of the lease term (August 1, 2009) for \$1,884,658. The lease is accounted for as an operating lease and the building and contribution have been recorded as land and building and invested in capital assets.

During 2000, the Board used a \$6,000,000 contribution from a taxpayer and \$21,100,000 in bond proceeds to purchase land and begin construction of a parking garage adjacent to the St. Louis Conference Center Hotel. When the Parking Garage Fund was established during 2003, this contribution was transferred from the Industrial Development and Reserve Fund. The garage began operations during August 2002.

In addition, during 2004 and 2003, the Board used \$6,800,000 in contributions received pursuant to the Board's tax credit for contribution program to fund construction of a parking garage to support the new downtown headquarters for the Kansas City Public Library. The garage began operations during April 2004.

In April 2003, the Board used a \$10,000,000 contribution from a taxpayer and began participating in two related redevelopment projects in downtown St. Louis, Missouri. The first project, commonly referred to

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as the "Old Post Office Project" or the "OPO Project," consists of the acquisition and renovation of a historic structure in downtown St. Louis known as the U.S. Custom House and Old Post Office. The second project consists of the acquisition and demolition of the Century Building and the construction of parking garage located to the west of the OPO Project. This project is known as the "Ninth Street Garage Project" or the "NSG Project." The OPO and NSG Projects are separate and distinct projects.

The Board acquired title to the OPO Project on October 13, 2004 from the General Services Administration of the United States of America at no cost to the Board. The Board then executed a 99-year lease of the OPO Project with St. Louis' U. S. Custom House and Post Office Building Associates, L.P., a Missouri limited partnership (the "OPO Master Lessee"). In connection with the financial closing of the OPO Project on October 14, 2004, the Board made a subordinated loan to the OPO Master Lessee in the amount of \$12,356,800 to assist in the financing of the OPO Project. Per the master lease agreement, costs previously recognized as construction in progress were reclassified to the loan balance outstanding. Pursuant to the OPO Master Lease, the Board has an option to purchase the OPO leasehold interest from the OPO Master Lessee at the greater of the fair market value or the development debt outstanding beginning in 2014. Renovation of the OPO Project is expected to be completed in late 2006.

The NSG Project is owned by the Board and consists of the development and construction of a 1,050 space parking garage located on the west side of Ninth Street directly across from the OPO Project. The land was purchased in April, 2003. The Board has entered into long-term parking leases with tenants of the OPO Project and with surrounding businesses and building owners. The total costs of acquiring, constructing and providing for the initial operations of the NSG Project are estimated to be \$32,793,200. Of that amount, a total of \$18,862,706 and \$11,088,933 has been incurred through June 30, 2006 and 2005, respectively. The NSG Project is scheduled to be completed in early 2007.

Capital asset activity for the year ended June 30, 2006, was as follows:

	Balance July 1, 2005	Additions	Deletions/ Retirements	Balance June 30, 2006
Capital assets, not being depreciated:				
Land	\$ 9,271,177	\$ -	\$ -	\$ 9,271,177
Construction in process	10,420,745	7,776,580	(1,849,358)	16,347,967
Total capital assets, not being depreciated	19,691,922	7,776,580	(1,849,358)	25,619,144
Capital assets, being depreciated:				
Building	26,714,100	13,272	-	26,727,372
Equipment	114,994	24,311	(27,669)	111,636
Leasehold Improvements	55,099	-	-	55,099
Façade	-	1,849,357	-	1,849,357
Total capital assets, being depreciated	26,884,193	1,886,940	(27,669)	28,743,464



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	Balance July 1, 2005	Additions	Deletions/ Retirements	Balance June 30, 2006
Less: accumulated depreciation for:				
Building	2,425,521	668,061	-	3,093,582
Equipment	54,051	19,370	(27,669)	45,751
Leasehold Improvements	2,755	5,510	-	8,265
Façade	-	47,419	-	47,419
Total accumulated depreciation	<u>2,482,327</u>	<u>740,360</u>	<u>(27,669)</u>	<u>3,195,018</u>
Total capital assets, being depreciated, net	<u>24,401,866</u>	<u>1,146,580</u>	<u>0</u>	<u>25,548,446</u>
Total capital assets, net	<u>\$ 44,093,788</u>	<u>\$ 8,923,160</u>	<u>\$ (1,849,358)</u>	<u>\$ 51,167,590</u>

Capital asset activity for the year ended June 30, 2005, was as follows:

	Balance July 1, 2004	Additions	Deletions/ Retirements	Balance June 30, 2005
Capital assets, not being depreciated:				
Land	\$ 8,066,980	\$ 1,204,197	\$ -	\$ 9,271,177
Construction in process	<u>5,181,045</u>	<u>6,853,073</u>	<u>(1,613,374)</u>	<u>10,420,745</u>
Total capital assets, not being depreciated	<u>13,248,025</u>	<u>8,057,270</u>	<u>(1,613,374)</u>	<u>19,691,922</u>
Capital assets, being depreciated:				
Building	26,642,080	72,020	-	26,714,100
Equipment	48,051	66,943	-	114,994
Leasehold Improvements	-	55,099	-	55,099
Total capital assets, being depreciated	<u>26,690,131</u>	<u>194,062</u>	<u>-</u>	<u>26,884,193</u>
Less: accumulated depreciation for:				
Building	1,758,404	667,117	-	2,425,521
Equipment	45,076	8,975	-	54,051
Leasehold Improvements	-	2,755	-	2,755
Total accumulated depreciation	<u>1,803,480</u>	<u>678,847</u>	<u>-</u>	<u>2,482,327</u>
Total capital assets, being depreciated, net	<u>24,886,651</u>	<u>(484,785)</u>	<u>-</u>	<u>24,401,866</u>
Total capital assets, net	<u>\$ 38,134,676</u>	<u>\$ 7,572,485</u>	<u>\$ (1,613,374)</u>	<u>\$ 44,093,788</u>



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June 30, 2006 and 2005

A summary of capital assets by fund at June 30, 2006, is as follows:

	2006		
	Industrial Development and Reserve Fund	Parking Garage Fund	Total Capital Assets
Land	\$ -	\$ 9,271,177	\$ 9,271,177
Building	2,400,000	26,176,729	28,576,729
Equipment	87,324	24,311.29	111,635
Leasehold Improvements	55,098	-	55,098
Construction in process	-	16,347,968.51	16,347,969
Sub-total	2,542,422	51,820,186	54,362,608
Less: accumulated depreciation	(1,060,418)	(2,134,600)	(3,195,018)
Total capital assets, net	<u>\$ 1,482,004</u>	<u>\$ 49,685,586</u>	<u>\$51,167,590</u>

A summary of capital assets by fund at June 30, 2005, is as follows:

	2005		
	Industrial Development and Reserve Fund	Parking Garage Fund	Total Capital Assets
Land	\$ -	\$ 9,271,177	9,271,177
Building	2,400,000	24,314,100	26,714,100
Equipment	114,994	-	114,994
Leasehold Improvements	55,099	-	55,099
Construction in process	-	10,420,745	10,420,745
Sub-total	2,570,093	44,006,022	46,576,115
Less: accumulated depreciation	(1,006,807)	(1,475,520)	(2,482,327)
Total capital assets, net	<u>\$ 1,563,286</u>	<u>\$ 42,530,502</u>	<u>\$44,093,788</u>

### 6. TAX CREDIT FOR CONTRIBUTION DEPOSITS

One of the Board's programs is the Tax Credit for Contribution program. Through this program, the Board is authorized to grant tax credits in an amount equal to fifty percent of contributions accepted by

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Contributions received by the Board are remitted to fund the project upon requests supported by proof of eligible reimbursable project expenditures or used to fund projects owned by the Board. Contributions on deposit with the Board are reflected as restricted assets and a liability in the accompanying financial statements. As of June 30, 2006 and 2005, the Board held deposits received pursuant to the Tax Credit for Contribution program of \$31,865,795 and \$31,438,923, respectively.

**7. LONG-TERM DEBT**

Summary of debt held as of June 30, 2006 and 2005, is as follows:

	<u>2006</u>	<u>2005</u>
\$6,500,000 St. Louis Convention Center Hotel Series 2000B, taxable infrastructure facilities revenue bonds; and \$14,600,000 St. Louis Convention Center Hotel Series 2000C, tax exempt infrastructure facilities revenue bonds. Due in annual installments of \$300,000 to \$15,600,000 beginning December 1, 2006 through December 1, 2020, plus interest up to 8.5%.	\$ 15,350,000	\$ 18,100,000
\$9,500,000 Ninth Street Garage Series 2004A, taxable infrastructure facilities revenue bonds; and \$7,000,000 Ninth Street Garage Series 2004B, tax exempt infrastructure facilities revenue bonds. Due in annual installments of \$240,000 to \$545,000 beginning October 1, 2008 through October 1, 2034, plus interest up to 10%.	<u>16,500,000</u>	<u>16,500,000</u>
Total	<u>\$ 31,850,000</u>	<u>\$ 34,600,000</u>

Changes in long-term debt for the year ended June 30, 2006, were as follows:

	<u>Balance June 30, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2006</u>	<u>Due within one year</u>
Infrastructure facilities revenue bonds	\$ 34,600,000	\$ -	\$ 2,750,000	\$ 31,850,000	\$ -

Changes in long-term debt for the year ended June 30, 2005, were as follows:

	<u>Balance June 30, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2005</u>	<u>Due within one year</u>
Infrastructure facilities revenue bonds	\$ 18,100,000	\$ 16,500,000	\$ -	\$ 34,600,000	\$ -



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June 30, 2006 and 2005

St. Louis Convention Center Hotel Series 2000B and 2000C:

The annual debt service requirements as of June 30, 2006 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ -	\$ 660,050	\$ 660,050
2008	-	660,050	660,050
2009	-	660,050	660,050
2010	-	660,050	660,050
2011	-	660,050	660,050
2012	-	660,050	660,050
2013	-	660,050	660,050
2014	-	660,050	660,050
2015	-	660,050	660,050
2016	-	642,850	1,042,850
2017	-	625,650	1,025,650
2018	-	604,150	1,104,150
2019	-	578,350	1,178,350
2020	-	552,550	1,152,550
2021	15,350,000	660,050	16,010,050
Totals	<u>\$ 15,350,000</u>	<u>\$ 9,604,050</u>	<u>\$ 27,454,050</u>

The bonds have mandatory sinking fund redemptions that are the equivalent of maturing principal as indicated above. The annual debt service schedule above assumes an interest rate of 4.3%, representing the interest rate at June 30, 2006. The actual interest paid during 2006 and 2005 averaged 3.5% and 1.94% respectively.

The bonds bear interest at a daily, weekly, commercial paper, long-term or fixed rate. When the bonds are in a daily, weekly, commercial paper, long-term or fixed rate period, the interest rate on bonds will be determined by the remarketing agent as the lowest rate of interest which in its judgment will cause the bonds to have a market value, as of the date of determination, equal to the principal amount of the bonds, taking into account prevailing market conditions.

The rate cap agreements purchased during closing of the financing for the St. Louis Conference Center Hotel and Garage project were 8.5% on the Series B bonds and 6.7% on the Series C bonds with an expiration date of December 1, 2007. The Board has the option in the future to restructure the bond debt to acquire a fixed interest rate.

In March 2004, the Board made principal payments for Series B bonds and Series C bonds in the amount of \$1,300,000 and \$1,700,000, respectively. These payments were used to offset scheduled debt service payments for years 2006 through 2016.

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In November 2005, the Board made principal payments for Series B bonds and Series C bonds in the amount of \$1,290,000, and \$1,460,000 respectively. These payments offset debt service payments for years 2017 through 2020, and a small portion of 2021.

Ninth Street Garage Series 2004A and B:

	Principal	Interest	Total
	\$	\$	\$
Prior to 10/1/2008	-	-	-
10/1/2008	240,000	3,547,500	3,787,500
10/1/2009	255,000	688,215	943,215
10/1/2010	270,000	676,605	946,605
10/1/2011	285,000	664,350	949,350
10/1/2012	305,000	651,235	956,235
10/1/2013	325,000	637,260	962,260
10/1/2014	345,000	622,425	967,425
10/1/2015	370,000	606,515	976,515
10/1/2016	395,000	589,530	984,530
10/1/2017	420,000	571,470	991,470
10/1/2018	450,000	552,120	1,002,120
10/1/2019	480,000	531,480	1,011,480
10/1/2020	510,000	509,550	1,019,550
10/1/2021	545,000	486,115	1,031,115
10/1/2022	580,000	461,175	1,041,175
10/1/2023	615,000	434,730	1,049,730
10/1/2024	655,000	406,565	1,061,565
10/1/2025	700,000	376,465	1,076,465
10/1/2026	750,000	344,215	1,094,215
10/1/2027	800,000	309,815	1,109,815
10/1/2028	850,000	273,265	1,123,265
10/1/2029	905,000	234,350	1,139,350
10/1/2030	965,000	192,855	1,157,855
10/1/2031	1,030,000	148,565	1,178,565
10/1/2032	1,100,000	101,265	1,201,265
10/1/2033	1,150,000	51,815	1,201,815
10/1/2034	1,205,000	-	1,205,000
Totals	<u>\$ 16,500,000</u>	<u>\$ 14,669,450</u>	<u>\$ 31,169,450</u>

The bonds have mandatory sinking fund redemptions that are the equivalent of maturing principal as indicated above. As security for the reimbursement of the bank, the Board is required to maintain unrestricted cash balances and investments on its balance sheet equal to the lesser of \$10,000,000 or 61% of the principal amount of the bonds until such time as the net cash flow from the project is a least 1.25 times debt service on the bonds for two consecutive years. Thereafter, the Board is required to maintain unrestricted cash balances and investments on its balance sheet of not less than \$2,000,000. In addition, the Board must maintain a ratio of total adjusted liabilities to total net assets of 1.5:1.



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The annual debt service schedule above assumes an interest rate of 4.3%, representing the interest rate as of June 30, 2006. The actual interest paid during 2006 and 2005 averaged 3.51% and 2.29% respectively.

The bonds bear interest at a daily, weekly, commercial paper, long-term or fixed rate. When the bonds are in a daily, weekly, commercial paper, long-term or fixed rate period, the interest rate on bonds will be determined by the remarketing agent as the lowest rate of interest which in its judgment will cause the bonds to have a market value, as of the date of determination, equal to the principal amount of the bonds, taking into account prevailing market conditions. The Board has the option in the future to restructure the bond debt to acquire a fixed interest rate.

**8. RENTAL INCOME**

Future minimum rental income on noncancelable operating leases is as follows:

	Industrial Development & Reserve Fund	Parking Garage Fund
2007	\$ 25,008	\$ 894,522
2008	25,008	1,097,262
2009	25,008	1,097,262
2010	3,126	1,097,262
2011	-	1,097,262
2012-2016	-	4,974,930
2017-2021	-	4,677,600
2022-2026	-	4,436,410
2027-2031	-	3,725,410
2032-2036	-	3,333,910
2037-2041	-	3,333,910
2042-2046	-	3,333,910
Thereafter	-	933,863
Totals	<u>\$ 78,150</u>	<u>\$ 34,033,513</u>

The Industrial Development and Reserve Fund building located in downtown Kansas City is leased by the United Way of Greater Kansas City. The carrying value of the building is \$2,400,000 and accumulated depreciation as of June 30, 2006 and 2005, was \$1,010,000 and \$950,000 respectively. The lease expires August 15, 2009.

The Parking Garage Fund's SLCCCH parking garage is an 880-space garage constructed by the Board to support the St. Louis Conference Center Hotel project in downtown St. Louis. The carrying value of the garage is \$21,913,825 less accumulated depreciation of \$1,684,737 and \$1,254,591 as of June 30, 2006 and 2005, respectively. The hotel operator leases a minimum of 375 spaces with the option of leasing up to 275 additional spaces with proper notice. The minimum lease payment for the hotel's use of the garage is \$554,282 per year with an expiration date of February 15, 2048. In addition to the hotel, the nearby

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Merchandise Mart, a mixed-use development with apartments and retail space, has a lease for up to 118 spaces in this parking garage with minimum annual lease payments of \$25,000 through August 2, 2021. Also, the Roberts Old School House Lofts, L. P. has a lease for 75 spaces in this garage with annual lease payments of \$112,500 with an expiration date of August 26, 2009 and renewable for five consecutive five year periods on each expiration date.

The Parking Garage Fund's NSG parking garage to be completed during fiscal year ending June 30, 2007, is currently under construction by the Board to support the renovation of the Old Post Office project in downtown St. Louis. Currently, a total of \$18,862,708 has been disbursed for this project. Leases have been negotiated with the Eastern District Court of Appeals, Webster University, Frisco Associates, Pyramid Construction, Talley Properties, L.L.C., and Roberts Old School House Lofts, L.P. and others for spaces in anticipation of the completion of the Ninth Street Garage. The estimated minimum lease payments for all negotiated leases on the Ninth Street Garage total \$405,480 per year with expiration dates from 2011 through 2047.

### 9. CONTRIBUTED ASSETS

During the year ended June 30, 2006, the Board received \$2,600,000 with \$100,000 recognized as contributed revenue in the Industrial Development and Reserve Fund for benefit of the OPO project and \$2,500,000 recognized as contributed revenue in the Parking Garage Fund for benefit of the NSG project.

During the year ended June 30, 2005, the Board closed on the OPO and NSG projects. Concurrently with the closing, \$10,491,144 and \$10,022,998 of deferred revenue was recognized as contributed revenue in the Industrial Development and Reserve Fund and Parking Garage Fund, respectively.

### 10. LEASE AGREEMENTS

#### (a) Office Lease Obligation

In October of 2004, the Board entered into a lease with Hotel Governor of Jefferson City, L.L.P, to lease 3,501 square feet on the 10<sup>th</sup> Floor of the Governor Office Building. The lease is an operating lease with the exception of depreciable tenant improvements in the amount of \$55,098. The lease term is 10 years.

Future minimum lease payments for this lease are as follows:

2007	\$ 51,915
2008	53,473
2009	55,077
2010	56,729
2011	58,431
2012	60,184
2013	61,990
2014	63,849
2015	16,079
Total minimum lease obligation	<u>\$ 477,727</u>



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### (b) Copier Lease Obligation

In December of 2004, the Board entered into a lease with Gibbs Technology Leasing, L.L.C. to lease equipment. The lease is accounted for as an operating lease. The term of the lease is four years. Future minimum lease payments for this lease are as follows:

2007	\$ 4,284
2008	4,284
Total minimum lease obligation	<u>\$ 8,568</u>

### (c) KC Overhaul Base Lease

In December 2004, the Board accepted a contribution from the EDC Loan Corporation (EDC), a not-for-profit organization, consisting of an assignment of a 50 year leasehold interest in the Kansas City Overhaul Base located adjacent to the Kansas City International Airport (the "Overhaul Base"). This leasehold interest was originally held by the City of Kansas City (the City) and then was contributed to EDC, a related organization of the City, by the City.

EDC's contribution to the Board of the leasehold interest was valued by an independent appraiser at \$32,000,000. In return, the Board issued a total of \$16,000,000 in contribution tax credits to EDC. These tax credits were sold by EDC at the direction of the Board to independent parties. The tax credits were sold by EDC as follows: \$5,333,333 on March 3, 2005; \$5,333,333, on July 2, 2005; and \$5,333,334 issued on or between July 2, 2006 and July 31, 2006. The Board paid the proceeds from the tax credit sales to the City to be used by the City for payment of a bond issued by the City for the renovation of the Overhaul Base.

In addition, the City and the Board entered into an assumption agreement as of December 31, 2004 with the City assuming all responsibility and liability relating to ownership, management and operations of the Overhaul Base. As a result of this assumption of the leasehold interest by the City, the Board has no assets or liabilities related to the leasehold interest recorded in its financial statements. However, it has recorded restricted cash and investments, along with the related tax credit for contribution liability, for proceeds from the tax credits to be transmitted to the City.

### (d) State of Missouri Acting by and Through Its Office of Administration

In November 2005 and May 2006, the Board issued Series 2005 and 2006 Leasehold Revenue Bonds for the benefit of the State of Missouri Office Buildings Project. With the proceeds of the bonds, the Board purchased four office buildings, which it then leased, on a net basis, to State of Missouri through its Office of Administration (OA) for the term of the debt, 25 years, subject to annual state appropriation of lease payments needed to retire the fixed rate, level amortization, bonds. The Board transferred its interests in the lease agreement and security interest in the buildings to the bond trustee through a trust indenture.

Bond payments are to be paid exclusively from rent revenues received. In addition, payment of the bonds is insured by a municipal bond new issue insurance policy. The bonds do not constitute a debt or liability of the Board.

# MISSOURI DEVELOPMENT FINANCE BOARD

(A Component Unit of the State of Missouri)

## NOTES TO FINANCIAL STATEMENTS

June 30, 2006 and 2005

Upon request, the State has the option to purchase the buildings. Furthermore, once bonds are paid in full, ownership defers to the lessee. Generally, the State retains all rights and obligations of ownership of the buildings.

As a result, the Board has excluded the buildings and related debt from its financial statements.

### 11. INTERFUND BALANCES AND ACTIVITY

The Board has recorded income and expense items between the various funds to account for fees the Board is permitted to retain in the Industrial Development Reserve Fund related to various projects reported in the Parking Garage Fund. These amounts and balances were eliminated in the financial statements.

Balances due to/from other funds as of June 30 consisted of the following:

	<u>2006</u>	<u>2005</u>
Due to Industrial Development and Reserve Fund from the Industrial Development (MIDOC Loan Fund) for attorney fees on new application.	\$ -	\$ 750
Due to Industrial Development and Reserve Fund from the Parking Garage Fund for insurance premiums paid and to balance funding between the Ninth Street Garage and the Old Post Office Project per closing documents.	-	1,172,242
	<u>\$ -</u>	<u>\$ 1,172,992</u>

Transfers to/from other funds for the years ended June 30, 2006 and 2005, were as follows:

	<u>2006</u>	<u>2005</u>
Transfer from the Industrial Development to Parking Garage Fund to assist with operational shortfalls and capital requirements on new garage, pay issuance fees on NSG 2005A and 2005B Bonds and transfer funds per OPO/NSG closing documents.	\$ -	\$ 1,133,230
	<u>\$ -</u>	<u>\$ 1,133,230</u>

### 12. COMMITMENTS AND CONTINGENCIES

#### (a) Loan Guarantees

The Board has guaranteed repayment to the financial institution holding the loan of up to 85% of the outstanding guaranteed balance of certain approved loans to businesses in the State. Total loans



**MISSOURI DEVELOPMENT FINANCE BOARD**  
**(A Component Unit of the State of Missouri)**

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006 and 2005

outstanding under the Loan Guarantee Program amounted to approximately \$460,000 and \$460,000 as of June 30, 2006 and 2005, respectively, of which approximately \$391,000 and \$391,000 was guaranteed by the Board. During 2006 and 2005, no loans defaulted.

**(b) Irrevocable Line of Credit**

As of January 13, 2006, the Board has issued an irrevocable line of credit in favor of the Missouri Department of Natural Resources ("DNR") and the United States of America acting through the Chief, Base Realignment and Closure Division Office of the Assistant Chief of Staff for Installation Management Headquarters, Department of the Army ("Army"), a line of credit in an amount not to exceed \$1,800,000, at the request and for the account of St. Louis Land Clearance for Redevelopment Authority ("LCRA").

The line of credit expires January 13, 2012; however, the expiration date may be automatically extended for a period of one year on each successive expiration date, unless, 120 days before the current expiration date, the Board or the Army notifies DNR the decision has been made not to extend the line of credit beyond the current expiration date. The line of credit bears interest at prime rate and interest payments are due on the first business day of the month with the principle due on January 13, 2012.

As of fiscal year ended June 30, 2006 there have been no draws on the line of credit and the outstanding balance is \$0.

**(c) MIDOC Loans**

The Board has authorized the issuance of \$525,000 in MIDOC loans as of June 30, 2006 that have not been issued to the borrowers pending completion of loan documentation.

**(d) Conduit Bond Issues**

As of June 30, 2006, the Board has issued \$714,327,420 in Single Issue Industrial Revenue Bonds, \$57,810,000 in Private Activity Composite Industrial Revenue Bonds, and \$1,303,403 in Public Purpose Capital Improvement and Refunding Leasehold Revenue Bonds. The outstanding balances on these bonds and notes as of June 30, 2006, were approximately \$371,519,763, \$950,000, and \$788,121,000, respectively.

As of June 30, 2005, the Board has issued \$714,327,420 in Single Issue Industrial Revenue Bonds, \$57,810,000 in Private Activity Composite Industrial Revenue Bonds, and \$1,073,593,000 in Public Purpose Capital Improvement and Refunding Leasehold Revenue Bonds. The outstanding balances on these bonds and notes as of June 30, 2005, were approximately \$413,318,104, \$1,680,000, and \$555,128,000, respectively.

The Board has no liability for repayment of the above revenue bonds and notes aside from reserve fund deposits and, accordingly, these bonds and notes have not been recorded in the accompanying combined financial statements. Security for the bondholders consists of the unconditional obligation of the borrowers to repay the bonds and notes, and, in certain cases, insurance, letters of credit, annual appropriation pledges, and certain funds held through trustees under the various indentures.

# **MISSOURI DEVELOPMENT FINANCE BOARD**

**(A Component Unit of the State of Missouri)**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2006 and 2005**

### **(e) Legal Matters - Old Post Office Litigation**

On April 19, 2005 the Board (and certain other plaintiffs) filed an action against two individuals (the plaintiffs in two prior lawsuits which have been dismissed) relating to the demolition of the Century Building, the Old Post Office and the Ninth Street Garage). The lawsuit alleges that the plaintiffs filed their lawsuits in bad faith with malicious intent. The case is in the preliminary motions phase. As of June 30, 2006, no counterclaims have been asserted against the Board or the other defendants.

### **(f) Risk Management**

The Board is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; and workers' compensation claims. The Board carries commercial insurance for theft of assets and workers' compensation. The Board carries commercial property, comprehensive liability, and business interruption insurance policies on the St. Louis Conference Center Hotel and Kansas City Library parking garages. The Board is self-insured for all other risks of loss.

The Board had no material unpaid claims, liabilities, or settlements related to any loss in any of the past three years. No substantive changes were made in the type and amounts of the Board's insurance coverage during 2006 and 2005.

### **(g) Construction Commitments**

The NSG Project is being developed pursuant to the Ninth Street Garage Development Agreement, entered into between the Board and NSG Developers, L.L.C., a Missouri limited liability company (the "NSG Developer"). The Development Agreement requires the NSG Developer to deliver to the Board a garage construction contract in the amount of \$20,204,000 providing for the construction of the Garage. The obligations of the NSG Developer are guaranteed by DESCO Investment Company, LLC, a Missouri limited liability company, ORION 2002, LLC, a Missouri limited liability company, and Steven J. Stogel, pursuant to a separate Construction Completion Guaranty. Environmental remediation began in April 2003 and demolition commenced on October 14, 2004. The project is scheduled to be completed in early 2007, when it will be managed by a commercial garage operator pursuant to a separate garage management agreement.

## **13. EMPLOYEES' RETIREMENT PLAN**

### **(a) Defined Contribution Pension Plan**

In 1993, the Board established a defined contribution pension plan, called the MDFB Simplified Employee Plan (SEP) IRA, which is currently administered by Prudential Investments, a division of The Prudential Insurance Company of America. The Board has the authority to amend or terminate the plan's provisions at any time. Contributions are discretionary and determined on an annual basis by the Board. There are no contribution requirements for employees.

Employees are eligible to participate in the plan on January 1 after service to the Board in at least three calendar years. Eligible employees are fully vested at the time of contribution. The Board contributed



# **MISSOURI DEVELOPMENT FINANCE BOARD**

**(A Component Unit of the State of Missouri)**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2006 and 2005**

\$47,976 and \$32,412 for the years ended June 30, 2006 and 2005, respectively. For the years ended June 30, 2006 and 2005, the contributions amounted to 12.59% and 10% of the eligible employees' salaries, respectively.

### **(b) Deferred Compensation Plan**

In 2002, the Board established a deferred compensation plan called the Missouri Development Finance Board 457 Deferred Compensation Plan (457 plan) and the deferred compensation match plan called the Missouri Development Finance Board 401(a) Deferred Compensation Match Plan (401(a) plan), which are currently administered by Nationwide Retirement Solutions, Inc.

The plans permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Employees are eligible to participate in the plans after one year of service to the Board and must contribute \$25 per month to receive the employer matching contribution of \$25 per month. Compensation deferred under the Plan is invested at the direction of the covered employee.

### **14. SUBSEQUENT EVENT – SENATE BILL 718**

On June 12, 2006, Governor Matt Blunt signed Senate Bill 718, which modified the Board's authority to grant loans. In addition, the bill named the director of the Missouri Department of Natural Resources as an ex-officio member of the Board. The bill was effective August 28, 2006 and does not alter the number of Board members serving.

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**STATISTICAL SECTION**  
**(UNAUDITED)**

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# MISSOURI DEVELOPMENT FINANCE BOARD

(A Component Unit of the State of Missouri)

June 20, 2006 and 2005

## STATISTICAL SECTION

*This part of the Board's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Board's overall financial health. The Board is a discretely presented component unit of the State of Missouri as defined by Government Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity. Based on GASB 14, some of the accompanying statistical section segments will include references to the State of Missouri. Such segments will be noted as such. All other information is to be deemed as attributable to the Board, and do not reflect the financial position and results of operations of the State.*

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>	44-46
These schedules contain trend information to help the reader understand how the Board's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	47-48
These schedules contain information to help the reader assess the factors affecting the Board's ability to generate it's own source income.	
<b>Debt Capacity</b>	49-50
These schedules present information to help the reader assess the affordability of the Board's current levels of outstanding debt and the Board's ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	51-55
These schedules offer demographic and economic indicators to help the reader understand the environment within the Board's financial activities take place. Due to the fact that the Board was established to serve the State of Missouri, and is a component unit as defined by Government Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, demographic and economic information for the State of Missouri will be presented in this section.	
<b>Operating Information</b>	56-58
These schedules contain information about the Board's operations and resources to help the reader understand how the Boards' financial information relates to the services the Board provides and the activities it performs.	

**MISSOURI DEVELOPMENT FINANCE BOARD**  
**SCHEDULE OF NET ASSETS BY COMPONENT**  
**FISCAL YEARS 2003 to 2006**

	June 30,							
	2006		2005		2004		2003	
	\$	%	\$	%	\$	%	\$	%
Investment in capital assets, net of related debt	\$ 1,482,004	4.42%	\$ 9,493,788	13.66%	\$ 20,034,676	100.00%	\$ 7,018,010	13.99%
Restricted-expendable	3,533,148	10.54%	35,785,144	51.50%	7,766,352	0.00%	11,382,872	22.70%
Unrestricted	28,521,968	85.05%	24,209,068	34.84%	29,624,972	0.00%	31,750,078	63.31%
	<u>\$ 33,537,120</u>	<u>100.00%</u>	<u>\$ 69,488,000</u>	<u>100.00%</u>	<u>\$ 57,426,000</u>	<u>100.00%</u>	<u>\$ 50,150,960</u>	<u>100.00%</u>

**Note:** Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2003-2006 are available.



**MISSOURI DEVELOPMENT FINANCE BOARD**  
**SCHEDULE OF EXPENSES BY FUNCTION,**  
**FISCAL YEARS 2003 TO 2005**

	2006	2005	2004	2003
Operating Expenses				
Personnel	\$ 623,541	\$ 603,068	\$ 534,550	\$ 497,701
Professional Fees	56,754	544,589	102,686	217,156
Travel	59,265	70,375	35,881	68,610
Supplies and Other	110,242	222,613	125,957	66,837
Depreciation and Amortization	743,372	683,016	544,707	494,597
Parking Garage Operating Expense	883,789	813,265	568,394	334,825
Miscellaneous	29,752	-	-	-
Bad Debt and Miscellaneous	3,498,074	<sup>1</sup> 9,492,203	<sup>2</sup> 21,094	29,934
Total Operating Expenses	<u>6,004,789</u>	<u>12,429,129</u>	<u>1,933,269</u>	<u>1,709,660</u>
Nonoperating Expenses				
Interest & Bond Expense	733,823	550,946	459,897	342,231
Total Non-Operating Expenses	<u>733,823</u>	<u>550,946</u>	<u>459,897</u>	<u>342,231</u>
Total Expenses	<u>\$ 6,738,612</u>	<u>\$ 12,980,075</u>	<u>\$ 2,393,166</u>	<u>\$ 2,051,891</u>

<sup>1</sup> Includes bad debt expense of \$3,498,074

<sup>2</sup> Includes bad debt expense of \$9,356,822

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2003-2006 are available.

**MISSOURI DEVELOPMENT FINANCE BOARD**  
**SCHEDULE OF EXPENSES BY IDENTIFIABLE ACTIVITY,**  
**FISCAL YEARS 2003 TO 2005**

	2006	2005	2004	2003
Operating Expenses				
Program Administration	\$ 879,554	\$ 1,440,645	\$ 799,074	\$ 850,304
Parking Garage Operating Expense	883,789	813,265	568,394	334,825
Depreciation and Amortization	743,372	683,016	544,707	494,597
Bad Debt and Miscellaneous	3,498,074	<sup>1</sup> 9,492,203	<sup>2</sup> 21,094	29,934
Total Operating Expenses	<u>6,004,789</u>	<u>12,429,129</u>	<u>1,933,269</u>	<u>1,709,660</u>
Nonoperating Expenses				
Interest & Bond Expense	733,823	550,946	459,897	342,231
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<sup>1</sup> Includes bad debt expense of \$3,498,074

<sup>2</sup> Includes bad debt expense of \$9,356,822

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2003-2006 are available.



**MISSOURI DEVELOPMENT FINANCE BOARD**  
**SCHEDULE OF REVENUES BY SOURCE**  
**FISCAL YEARS 2003 TO 2006**

	For the Year Ended June 30,			
	2006	2005	2004	2003
Operating Revenues				
Participation fees - Loan Guarantee	\$ 1,955	\$ 7,820	\$ -	\$ -
Participation fees - Private Activity Bonds	-	111,240	110,320	124,606
Participation fees - Public Activity Bonds	191,833	215,113	278,325	98,232
Participation fees - Notes Receivable	-	-	36,633	-
Participation fees - Tax Credits	321,987	420,563	725,680	83,529
Participation fees - BUILD Missouri	562,584	318,617	222,701	467,942
Participation fees - Tax Abatement	2,500	-	-	-
Participation fees - MODESA	-	25,000	-	-
Interest income on loans and notes receivable	325,338	232,851	223,954	826,956
Rental income	25,008	25,057	25,008	25,008
Contractual income	61,342	60,648	56,934	56,684
Parking garage revenues	119,272	1,815,481	1,573,553	730,097
Other income	2,259,686	54,010	14,552	1,187
Total operating revenues	3,871,505	3,286,400	3,267,660	2,414,241
Nonoperating Revenues				
Interest on cash and investments	2,129,169	1,241,632	576,685	598,341
Total Revenues	\$ 6,000,674	\$ 4,528,032	\$ 3,844,345	\$ 3,012,582

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2003-2006 are available.

**MISSOURI DEVELOPMENT FINANCE BOARD**  
**SCHEDULE OF OTHER CHANGES IN NET ASSETS**  
**FISCAL YEARS 2003 TO 2006**

	For the Year Ended June 30,			
	2006	2005	2004	2003
Income before other changes in net assets	\$ (737,939)	\$ (8,452,142)	\$ 1,451,179	\$ 960,691
Contributed Revenue	2,600,000	20,514,142	5,799,361	10,000,639
Gain on Sale of Asset	-	-	24,500	-
Total change in net assets	<u>\$ 1,862,062</u>	<u>\$ 12,062,000</u>	<u>\$ 7,277,044</u>	<u>\$ 10,963,333</u>

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2003-2006 are available.



**MISSOURI DEVELOPMENT FINANCE BOARD**  
**PLEDGED REVENUE COVERAGE**  
**FISCAL YEARS 2003 TO 2006**

	For the Year Ended June 30,			
	2006	2005	2004	2003
Operating Revenues				
Participation fees - Loan Guarantee	\$ 1,955	\$ 7,820	\$ -	\$ -
Participation fees - Private Activity Bonds	-	111,240	110,320	124,606
Participation fees - Public Activity Bonds	191,833	215,113	278,325	458,295
Participation fees - Notes Receivable	-	-	36,633	0
Participation fees - Tax Credits	321,987	420,563	725,680	177,029
Participation fees - BUILD Missouri	562,584	318,617	222,701	467,942
Participation fees - Tax Abatement	2,500	-	-	0
Participation fees - MODESA	-	25,000	-	0
Interest income on loans and notes receivable	325,338	232,851	223,954	826,956
Rental income	25,008	25,057	25,008	25,008
Contractual income	61,342	60,648	56,934	56,684
Parking garage revenues	119,272	1,815,481	1,573,553	730,097
Other income	2,259,686	54,010	14,552	1,187
Total operating revenues	3,871,505	3,286,400	3,267,660	2,867,804
Nonoperating Revenues				
Interest on cash and investments	2,129,169	1,241,632	576,681	598,341
Total Revenues	<u>\$ 6,000,674</u>	<u>\$ 4,528,032</u>	<u>\$ 3,844,341</u>	<u>\$ 3,466,145</u>
Debt Service				
Principal	\$ 2,750,000	\$ -	\$ 3,000,000	\$ 5,000,000
Interest <sup>1</sup>	551,858	350,978	210,760	342,231
Total Debt Service	<u>\$ 3,301,858</u>	<u>\$ 350,978</u>	<u>\$ 3,210,760</u>	<u>\$ 5,342,231</u>
Debt Service Coverage	1.82	12.90	1.20	0.65

<sup>1</sup> Interest does not include capitalized interest paid from bond proceeds

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2003-2006 are available.

**MISSOURI DEVELOPMENT FINANCE BOARD**  
**PLEDGED REVENUE COVERAGE**  
**FISCAL YEARS 2003 TO 2006**

	For the Year Ended June 30,			
	2006	2005	2004	2003
Garages				
Total number of operational garages	2	2	2	1
Parking capacity per year <sup>1</sup>	359,060	359,060	359,060	226,200
Debt Service				
Principal	\$ 2,750,000	\$ -	\$ 3,000,000	\$ 5,000,000
Interest <sup>2</sup>	551,858	350,978	210,760	342,231
Total Debt Service	<u>\$ 3,301,858</u>	<u>\$ 350,978</u>	<u>\$ 3,210,760</u>	<u>\$ 5,342,231</u>
Daily required revenue per space to cover annual debt service	9.20	0.98	8.94	23.62

<sup>1</sup> Calculated as total number of spaces x 260 days --no charge on weekends)

<sup>2</sup> Interest does not include capitalized interest paid from bond proceeds

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2003-2006 are available.



**MISSOURI DEVELOPMENT FINANCE BOARD  
(STATE OF MISSOURI)  
DEMOGRAPHIC STATISTICS**

Employment  
(In Thousands Except Unemployment Rates Data)

<u>Calendar Year</u>	<u>Civilian Labor Force</u>	<u>Total Employed</u>	<u>Total Unemployed</u>	<u>Missouri Unemployment Rate</u>	<u>U.S. Unemployment Rate</u>
2005	3,024	2,862	162.325	5.4	5.1
2004	3,014	2,841	173.635	5.8	5.5
2003	3,003	2,836	167.291	5.6	6.0
2002	2,997	2,841	156.663	5.2	5.8
2001	3,003	2,868	134.861	4.5	4.7
2000	2,973	2,875	97.756	3.3	4.0
1999	2,911	2,820	91.337	3.1	4.2
1998	2,911	2,795	116.002	4.0	4.5
1997	2,904	2,780	124.029	4.3	4.9
1996	2,869	2,735	134.546	4.7	5.4
1995	2,822	2,690	131.989	4.7	5.6
1994	2,759	2,622	136.375	4.9	6.1
1993	2,706	2,540	165.955	6.1	6.9

Data Source: Missouri Department of Labor and Industrial Relations

**MISSOURI DEVELOPMENT FINANCE BOARD  
(STATE OF MISSOURI)  
DEMOGRAPHIC STATISTICS**

Personal Income						
Calendar Year	Missouri Total Personal Income (In Millions)	U.S. Total Personal Income (In Millions)	Missouri Per Capita Personal Income	U.S. Per Capita Personal Income	Missouri % Change From Prior Year	U.S. % Change From Prior Year
2005	\$ 185,026	\$ 10,251,639	\$ 31,899	\$ 34,586	4.7	4.6
2004	175,524	9,705,504	30,475	33,050	4.3	5.0
2003	167,042	9,157,257	29,210	31,484	3.0	2.2
2002	161,104	8,872,871	28,358	30,810	2.0	0.8
2001	156,937	8,716,992	27,809	30,574	2.1	2.4
2000	152,722	8,422,074	27,241	29,845	6.0	6.8
1999	142,925	7,796,137	25,697	27,939	3.1	3.9
1998	137,619	7,415,709	24,923	26,883	5.1	6.1
1997	129,992	6,907,332	23,716	25,334	5.2	4.8
1996	122,469	6,512,485	22,548	24,175	4.6	4.8
1995	115,948	6,144,741	21,559	23,076	3.4	4.1
1994	111,005	5,833,906	20,848	22,172	5.0	3.9
1993	104,699	5,548,121	19,862	21,346	2.7	2.4

Data Source: U.S. Department of Commerce -- Bureau of Economic Analysis

**MISSOURI DEVELOPMENT FINANCE BOARD**  
**(STATE OF MISSOURI)**  
**DEMOGRAPHIC STATISTICS**

Population Statistics				
Census Year	Population (In Thousands)	% Change	% of Total	
			Urban	Rural
2000	5,595	9.3	67.8	32.2
1990	5,117	4.1	68.7	31.3
1980	4,917	5.1	68.1	31.9
1970	4,677	8.3	70.1	29.9
1960	4,320	9.2	66.6	33.4
1950	3,955	4.5	61.5	38.5
1940	3,785	4.3	51.8	48.2
1930	3,629	6.6	51.2	48.8
1920	3,404	3.4	46.6	53.4
1910	3,293	6.0	42.3	57.7

Data Sources: U.S. Department of Commerce -- Bureau of the Census



**MISSOURI DEVELOPMENT FINANCE BOARD**  
**(STATE OF MISSOURI)**  
**ECONOMIC DATA**

Privately Owned Housing Units Authorized By Building Permits

<u>Calendar Year</u>	<u>Number of Units</u>	<u>Valuation (In Thousands)</u>
2005	33,114	4,702,016
2004	32,791	4,286,161
2003	29,309	3,596,524
2002	28,255	3,186,632
2001	24,739	2,750,047
2000	24,321	2,569,405
1999	26,840	2,739,418
1998	25,657	2,424,875
1997	25,156	2,265,005
1996	26,298	2,275,667
1995	24,282	2,032,503
1994	26,374	2,149,313
1993	21,702	1,749,828

Data Source: U.S. Department of Commerce -- Bureau of the Census

Top 15 Major Employers

The State's major employers (listed alphabetically) and the type of employer in 2005 were as follows:

	<u>Employer</u>
1. Private	Barnes-Jewish Hospital
2. Private	Boeing Corporation
3. Local	City of St. Louis
4. Private	Federated Retail
5. Private	Ford Motor Company
6. Private	Lester E. Cox Medical
7. State	Missouri Dept of Corrections, Division Of Adult Institutions
8. State	Missouri Dept of Transportation
9. Private	Schnuck Markets, Inc
10. Private	St. John's Regional
11. State	University of Missouri
12. Federal	US Department of Defense
13. Federal	US Post Office
14. Private	Wal-Mart Associates, Inc.
15. Private	Washington University

Data Source: Missouri Department of Economic Development

**MISSOURI DEVELOPMENT FINANCE BOARD**  
**(STATE OF MISSOURI)**  
**ECONOMIC DATA**

Industrial Growth				
<u>Fiscal Year</u>	<u>Expanding Companies</u>	<u>New Companies</u>	<u>New Jobs</u>	<u>Investment (In Thousands)</u>
2005	49	26	7,983	\$ 2,612,721
2004	75	35	10,696	1,524,343
2003	44	27	7,399	695,461
2002	83	39	12,176	1,531,699
2001	69	29	10,246	849,447
2000	129	53	11,732	1,204,065
1999	301	28	7,687	1,582,768
1998	303	78	11,322	2,404,156
1997	245	48	13,593	2,503,116
1996	162	85	8,291	1,154,439
1995	156	115	14,236	889,919

Data Source: Missouri Department of Economic Development

**MISSOURI DEVELOPMENT FINANCE BOARD  
SCHEDULE OF EMPLOYEE STATISTICS,  
FISCAL YEARS 2003 TO 2006**

	For the Year Ended June 30,			
	2006	2005	2004	2003
Program Staff				
Full-time	4	3.5	3.5	4
Accounting Staff				
Full-time	2	2.5	2.5	2
Support Staff				
Full-time	2	2	2	2
Total Staff	8	8	8	8

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2003-2006 are available.



**MISSOURI DEVELOPMENT FINANCE BOARD**  
**SCHEDULE OF PROJECTS APPROVED,**  
**FISCAL YEARS 2003 TO 2006**

	For the Year Ended June 30,			
	2006	2005	2004	2003
Loan Guarantees				
Bonds				
Private	1	2	2	1
Public	5	13	9	3
Notes Receivable				
Tax Credits	6	6	4	2
BUILD	5	4	1	2
Tax Abatement				
MODESSA	0	0	1	0

**MISSOURI DEVELOPMENT FINANCE BOARD**  
**SCHEDULE OF CAPITAL ASSETS**  
**FISCAL YEARS 2003 TO 2006**

	For the Year Ended June 30,			
	2006	2005	2004	2003
Office Buildings	1	1	1	1
Garages	2	2	2	1
Parking capacity	1,381	1,381	1,381	870

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2003-2006 are available.

**MISSOURI DEVELOPMENT FINANCE BOARD**

(A Component Unit of the State of Missouri)

June 20, 2006 and 2005

**MISSOURI DEVELOPMENT FINANCE BOARD  
ACKNOWLEDGEMENTS**

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**With Assistance from:**

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Section

State of Missouri – Department of Economic Development, Missouri Economic Research and  
Information Center



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